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Karl W. B. Schwarz
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October 19, 2002

Honorable Michael K. Powell
Chairman

Honorable Kathleen Q. Abernathy
Commissioner

Honorable Michael J. Copps
Commissioner

Honorable Kevin J. Martin
Commissioner

RE: Objection to the Proposed Change of Control of Global Crossing to Hutchison Whampoa and ST Telemedia for Cause.

Honorable Chairman Powell, Commissioner Abernathy, Commissioner Capps, and Commissioner Martin:

The proposed change of control of Global Crossing to Hutchison Whampoa and ST Telemedia should be denied either on a permanent basis or until such time as all investigations and RICO actions being filed against the parties are resolved through the U.S. Courts. We were notified by your office that the last day to file objections was October 21, 2002 while your web site shows October 18.

I am a board member of the newly formed Investor Trust Organization. That group is in advanced discussions with major D&O insurers that are being harmed by a systematic fraud in the markets and undermining of higher and better bids in bankruptcy and bids that would mitigate insurer losses and investor losses. Such bids are being systematically blocked to suppress due diligence and discovery of fraud. Both the D&O insurers and our group as one of the largest shareholder representatives intend to file RICO and seek remedy against a wide range of parties.

The Bush Administration has publicly stated that this mess is to be cleaned up and investor confidence restored to the markets. I am writing to tell you that no small hard-working American or Canadian investor is safe in the securities markets until significant and structural remedies are put into place and certain parties removed from the process.

If your agency grants change of control to these parties, I respectfully submit that you would be aiding and abetting RICO level fraud and compromising the integrity of the security of the United States. See Attachment A.1 and A.2.

The FCC set as a deadline October 21, 2002 for the public and other parties to file any objections to the change of control and sale of Global Crossing assets to Hutchison Whampoa of Hong Kong and ST Telemedia of Singapore. Pursuant to sections 1.1200 to 1.1216 of volume 47 of the Code of Federal Regulations, FCC *ex parte* rules, I am hereby requesting notice and attendance to any public hearing held on this matter and otherwise filing an Objection herein along with other shareholders through the means provided by FCC and making no other contacts with FCC on this matter.

The wide range of copies that are provided to multiple persons is due solely to the fact that we have lost faith that our regulatory agencies are doing anything about the harm that is being inflicted upon the investing public, their families and companies. There is a bad influence adrift in our markets and we respectfully do not think anyone has the political will to stand up to them.

Background

Global Crossing filed Chapter 11 proceedings on January 28, 2002 and on that same date, Hutchison Whampoa and ST Telemedia placed on the table a proposal to takeover the company for \$750 million and wipe out the common shareholders and \$12.4 billion in debt.

On March 13, 19 and 25, the U.S. Bankruptcy Court, SDNY held hearings and established the auction of assets to be held under 11 USC § 363 of the U.S. Bankruptcy Code. In that same court order, Hutchison Whampoa and ST Telemedia had until May 21 to increase their bid of \$750 million. Within hours, they announced from Hong Kong and Singapore that they were not going to increase the bid. That in and of itself should have been treated as a disqualification from the process and possibly contempt of court.

On May 26, 2002, the creditors rejected the \$750 million bid, which appeared to set the "benchmark" for all other bids at being higher or more favorable to creditors.

On July 11, 2002, bids under § 363 were to be submitted and many bids were in fact submitted. However, rather than bring to the attention of the Court that the process was being undermined and due diligence suppressed that was brought to the attention of parties through our bid, all bids were rejected in favor of a revised Hutchison Whampoa bid of \$250 million, or one-third the original amount that was rejected by the creditors. See Attachment A.3 and A.4.

We are absolutely certain that our bid was higher than that amount and feel reasonably certain that the Gores Technology / Platinum Equity and the TenXCapital

FCC Objection to Change of Control to Hutchison, STT
October 19, 2002
Page 3

bids were higher. Neither our bid nor the TenXCapital bid were ever disclosed to the media. We have heard from informed sources within Global Crossing that approximately 20 bids were received and never disclosed. I ask that you consult with Mr. John Buck,

Director
TenX Capital Partners
One First Avenue, Suite 100
Conshohocken, PA 19428
Cell: (215) 982-0721
Office: (610) 834-3092
Fax: (610) 834-3081
www.tenxcapital.com

We have recently confirmed to the US Trustee and the legal counsel for the Official Unsecured Creditors Committee that we are willing to pay \$450,000,000 for the Global Crossing assets and not blow out the common shareholders with no response.

We are keenly aware of the hardships Global Crossing has inflicted upon the employees of Frontier Communications and Global Crossing in general. We have had extensive discussions with Mr. Michael Conway, an attorney in New York City representing the Ad Hoc Committee of Former Global Crossing Employees. Mr. Conway has informed me that on several occasions RICO related issues have come up in the Global Crossing bankruptcy hearings and the Court refused to act because the creditors did not wish to pursue such action. Mr. Conway can be reached at 212-758-9300.

We are also aware of the massive losses Global Crossing has caused to investors due to fraud and deceit that we intend to prove under RICO. Mr. John Hovel filed on a pro se basis and tried to get an examiner and an Official Equity Holders Committee. Mr. Hovel's motions and documentation can be seen at the following links:

<http://www.geocities.com/gxstockholders/globalcrossinginfo.index.html>

http://www.cjdigital.net/cjboardtxt/bb_read.asp?page=1&id=254&table=gx

http://www.cjdigital.net/cjboardtxt/bb_read.asp?page=1&id=255&table=gx

Postponed to July 30th

http://www.cjdigital.net/cjboardtxt/bb_read.asp?page=1&id=263&table=gx

This matter screams of INSIDER DEAL and politicians and regulators looking the other way.

Prior to the filing of the Chapter 11 bankruptcy by Global Crossing, Blackstone Group removed two assets from Global Crossing at a loss to their shareholders and the valuation of the company as a going concern. In short, the carve up of assets for a select few began well before the Bankruptcy was filed. See Attachment B.1. and B.2.

We submit that this is such a conflict that Blackstone should be conflicted out of bring financial advisor for Global Crossing and barred from the proceedings instead of being allowed to suppress due diligence into the debtor's estate and seek a solution that is more fair for all creditors and the shareholders.

Blackstone has advised against having an Official Equity Holders Committee in both the Global Crossing and Williams Communications Chapter 11 bankruptcy cases. In both cases, the US Trustee concurred and the U.S. Bankruptcy Court denied official committee status and the inherent ability to investigate that could have occurred.

However, in the Adelphia Chapter 11 bankruptcy Blackstone is not financial advisor but is a shareholder and the Official Equity Holder Committee status was granted to Blackstone. See Attachment A.5.

This entire matter has been screaming of insider manipulation and what appears to be federal investigative and regulatory agencies looking the other way.

Who has been harmed here are the investors that our capital markets rely upon. What the shareholders of many companies including Williams Communications and Global Crossing have encountered are apparently deaf ears in Washington, DC as to how many tens of billions have been wrongfully taken from investors, ERISA and MPERS funds, 401(k) and IRA holders while behind the scenes a group is artificially manipulating the process. See Attachments D.1 through D.14.

There is a system in place that is undermining companies by intent to the detriment of shareholders and many investors. See Attachment C.1 and C.2.

Your agency has been asked to consider a change of control that would be the crowning achievement in one of the largest frauds in the history of the United States.

We respectfully ask that you reject this request and let the investigations and remedies pursue forward through all appropriate legal and investigation venues. We ask that your agency not be a part of the problem by approving this change of control before investigations and litigation are in progress or being filed shortly.

Please feel free to call me if you need any explanation or additional information.

Best regards,

Karl W. B. Schwarz
Chairman, Chief Executive

Cc: President George W. Bush
The White House
Washington, DC

Jane E. Mago, FCC General Counsel

H. Walker Feaster III
Inspector General
Federal Communications Commission
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Mr. Mark Paoletta
Majority Counsel
U.S. House Energy & Commerce Committee

Mr. Andy Cochran
Majority Counsel
U.S. House Financial Services Committee

Ms. Elizabeth Douglass
Los Angeles Times

Ms. Kelli P. O'Meara
Insight Magazine

Attachment A.1

The following is an excerpt from a RICO action being prepared at this time by The Investors Trust Organization and D&O insurers (Directors & Officers liability insurance) who are fed up with the RICO activity of stealing assets prior to bankruptcy, suppressing higher and better bids in bankruptcy and attempting to thrust all liability for misconduct into two areas:

1. Total wipe out of shareholder equity of the investing public; and
2. Total recovery for the shareholders because of RICO activity from the insurers while making off with billions of assets and billions in private investor capital that was invested in these companies.

The Plaintiffs maintain that this Court should heed warnings that have been made at the federal level about Mr. Li Ka-shing and his long-range objectives and those of his allies:

<http://www.house.gov/rohrbacher/sentstmny.html>

TESTIMONY OF CONGRESSMAN DANA
ROHRBACHER
U.S. SENATE ARMED SERVICES COMMITTEE
OCTOBER 22, 1999

The Chinese People's Liberation Army does have a defined military strategy for confronting the United States. It's called "asymmetrical" or unrestricted warfare. An important new book called "Unrestricted War," published by the People's Liberation Army in 1999, is widely read and discussed by China's military elite. As the Washington Post reported, the authors of "Unrestricted War," advocate that the tactics for a less developed country to attack and defeat a superpower should include terrorism, drug trafficking, computer hacking and financial warfare.

Pointedly, in an interview published on June 28, 1999 in a Beijing newspaper, the authors of "Unrestricted War" cite Panama as a fertile area for no-limits war. They state, "A small country like Panama would have a chance to exploit [the United States]. It could use a no-limits strike [the Canal] to cause America trouble... causing chaos to the U.S. financial system. Finally, it could have acquired two small atomic bombs from somewhere, hiding one in Washington and one in a prosperous New York

neighborhood, under which pressure, the United States would have conceded, with the United States losing... And while China is not rich, it could come up with enough money to raid an unprepared power's [financial markets] "to cause a financial crisis."

I am especially concerned about the corruption and the lack of transparency in the contract bidding process that enabled the Chinese Hutchison Whampoa Company and its Chairman, Li Ka-Shing, to obtain 25 to 50 year leases on ports at both the Atlantic and Pacific Ocean ends of the Canal. Li Ka-Shing and his Hong Kong-based company and subsidiaries are closely associated with the Beijing regime and have a history of acting as sources of funding or acting as intermediaries in deals for the People's Liberation Army.

It is especially troubling that the Clinton administration, including defense and intelligence agencies, have publicly stated that they have no knowledge of a connection between Li Ka Shing, his Hutchison Whampoa ports company and the communist Chinese government or military.

I request the Committee's permission to enter for the record of this hearing unclassified documents by U.S. intelligence agencies, the U.S. Bureau of Export Affairs [BXA], the U.S. Embassy in Beijing and the Rand Corporation that identify Li Ka-Shing and Hutchison Whampoa as financing or serving as a conduit for communist China's military to acquire sensitive technologies and other equipment.

Despite being a billionaire and international tycoon, with business interests throughout the world, Li is a prominent player in the communist Chinese leadership's inner circle. Our intelligence agencies have identified Li as a board member of the China International Trust and Investment Corporation CITIC, which is a principal funding arm of the Chinese and a technology acquiring source for China's military. Not included in the CIA biography is that in 1979 Li was a founding member of CITIC. Other members of the CITIC board include prominent members of the communist Chinese military industrial complex. A 1997 Rand Corporation report states, "CITIC does enter into business partnerships with and provide logistical assistance to the People's Liberation Army..."

Among CITIC board members is Wang Jun, the chairman of the Poly Technologies corporation, which was indicted by U.S. Customs for attempting to ship thousands of weapons into California for use by street gangs. According to the Wall Street Journal, the South China Morning Post and other reports, the People's Liberation Army created the Poly Group, with CITIC funding, for international arms trading. The Poly Group is known for selling advanced military systems to Third World countries.

Li is also a director the giant communist Chinese shipping firm COSCO, which in addition to commercial transport, acts as the merchant marine for the Chinese military. COSCO has been involved in shipping Chinese missile technology and biological warfare components to North Korea, Pakistan, Iraq and Iran. Li has also engaged in numerous business partnerships with the China Resources Company, a firm that has been identified by U.S. Congressional investigators as a front for Beijing's intelligence agencies.

Attachment A.2

Li Ka-shing is part of CITIC

[http://www.telusplanet.net/public/mozuz/crime/lemieszewski20001102.html#bottom\(13\)](http://www.telusplanet.net/public/mozuz/crime/lemieszewski20001102.html#bottom(13))

Canadian Intelligence Sources have been watching and learning more about the CITIC and Li Ka-shing objectives and some parties that appear to be aligned with

<http://www.sirc-csars.gc.ca/7001.html>

PAULE GAUTHIER, P.C., O.C., O.Q., Q.C.

Mrs. Gauthier was re-appointed Chair of the Security Intelligence Review Committee (SIRC) on 8 June 2000. Mrs. Gauthier has been the Chair of SIRC since 30 September 1996. She was a Member of the Committee from 1984 - 1991, and from June 1995 to September 1996.

She is a Director of the **Royal Bank of Canada**, Royal Trust Corporation,

29May00

(13) Chinese triads sought foothold in Vancouver port operations

Fabian Dawson, Staff Reporter The Province

The **Vancouver Port Authority** ignored warnings about the Chinese business interests it was wooing in the 1990s -- allowing a number of questionable business connections to take root in the port, The Province has learned. In the mid-'90s, as courting efforts aimed at Chinese shipping giant Cosco went into overdrive, intelligence officials -- including local ports police -- sounded alarm bells about the conglomerate's questionable connections. **The shipping line is intimately linked to the China International Trust and Investment Corp.**, a key fundraiser for the Chinese government and a technology-acquiring source for China's military.

U.S. Senate investigators and Canadian intelligence officials have described Cosco as the merchant marine of the Chinese military.

Its vessels have been caught carrying thousands of weapons into California and Chinese missile-technology and biological-warfare components into North Korea, Pakistan, Iraq and Iran, according to U.S. intelligence reports. Last summer -- two years after the ports police were disbanded -- the port signed a deal with Cosco to make Vancouver its gateway to North America. **Cosco had chosen the only major port on the West Coast of North America without a dedicated police force.**

Port officials maintain they have no evidence Cosco is directly involved in any illegal activity and cannot recall receiving police warnings. Cosco officials have declined interviews.

Police and immigration documents obtained by The Province show that, in the early '90s, Chinese mafia members or triads were attempting to infiltrate port operations.

In one case, a man identified as **Chan Chung Hiu** applied for a visitor visa at the Canadian consulate in Hong Kong to come to Vancouver on Jan. 14, 1992. Chan said he was an advisor to a company that had concluded a deal with the B.C. government to take over operations at one of the docks.

Background checks conducted found that **Chan was a member of the notorious Sun Yee On triad** and had served a four-year jail term for armed robbery in Hong Kong.

Chan abandoned the application after being asked to produce a police certificate. In another case, members of the same triad group, who are among the world's biggest heroin traffickers, were seen entertaining a senior officer of the now defunct Co-Ordinated Law Enforcement Unit. The party aboard a yacht was hosted by a Vancouver-based shipping company suspected of having links with the Chinese mafia.

Unfortunately for **the Liberals**, however, all copies of Sidewinder were not destroyed. The Canadian Alliance and various media, including this magazine, now possess them. The report, 30 pages long and badly translated from the original French, makes a shocking allegation--Hong Kong tycoons, triads (gangs) and Chinese intelligence services "have been working for 15 years in concert with the Chinese government, and some of their 'financial ventures' in Canada serve to conceal criminal or intelligence activities."

These activities include money laundering, heroin trafficking and the transfer of economic, high technology and intelligence data to Beijing. Sidewinder alleges the corruption of the Canadian business and political establishments: "The triads, the tycoons and [Chinese intelligence] have learned that [the] quick way to gain influence is to provide finance to the main political parties...China has obtained access to influential figures who are now or once were active at various levels of Canadian society."

Foremost among the Chinese tycoons, according to Sidewinder, is Li Ka-Shing, of whom U.S. **Congressman Dana Rohrabacher** has testified, "The U.S. Bureau of Export Affairs, the U.S. Embassy in Beijing and the Rand Corporation...have identified Li Ka-Shing and [his company] Hutchison Whampoa as financing or serving as a conduit for Communist China's military for them to acquire sensitive technologies and other equipment." Last year Forbes estimated Mr. Li's family as the eighth richest in the world, with assets totaling US\$10.6 billion.

According to Sidewinder, **Mr. Li is a director of the Beijing-controlled China International Trust Investment Company (CITIC), which had 1997 assets of US\$23 billion.** CITIC owns or controls Cathay Pacific Airlines, Hong Kong Telecom, Star TV, Poly Technologies and Norinco, suspected of arms shipments to Mohawk reserves. **Mr. Li's company Hutchison owns 49% of Husky Energy. [added to his personal holdings they hold 95%] CITIC has invested \$500 million to buy Canadian companies Celgar Pulp Mill and Nova Corp Petrochemical. [Note: NOVA split O&G and petrochem – Li Ka-shing owns 95% of petroleum – now HUSKY, and has**

ANOTHER AFFILIATE buyout or into PETROCHEM.] Mr. Li and his son own "at least one-sixth to one-third of downtown Vancouver" and have extensive real estate holdings in Toronto. CITIC has "developed...close business links with Power Corporation." (Andre Desmarais, Prime Minister Chretien's son-in-law, is president and co-chief executive officer of Power Corporation.)

Mr. Li is the largest (10%) single shareholder of CIBC, and a shareholder and director of the Hong Kong and Shanghai Bank, which in the 1980s acquired the Hong Kong and Shanghai Bank of Canada, Continental Bank and Lloyds Bank Canada. CIBC, in turn, bought the securities firms Wood Gundy and Merrill Lynch. Li Ka-Shing's son Richard bought 50.1% of Gordon Capital in 1985. (Jean Chretien was a senior adviser there from 1986 to 1990.)

None of the above proves that Canada has been subverted by the People's Republic of China, but the **linkages and connections revealed between Mr. Li and Mr. Chretien and his family (which are not detailed in Sidewinder but were reported elsewhere) are, as SIRC might say, disconcerting.**

But then, SIRC itself is not entirely in the clear. One **SIRC member, James Andrews Grant**, has a serious unreported conflict of interest. **His biography on the SIRC Web site identifies him as a director of CIBC and chairman of the executive committee of the law firm Stikeman, Elliott, which has a long-standing relationship with CIBC's largest shareholder, Li Ka-Shing.**

Canadian Alliance MP Jim Abbott, who raised the Sidewinder issue in the Commons, reports that he was immediately denounced by a Liberal MP as a "racist." He adds, "Unfortunately, many Canadians are prepared to buy into these labels, and for that reason they find so much of this [Sidewinder] unbelievable."

Mr. Abbott takes pains to stress that while he understands "there is a very malicious, a very serious criminal side to triad organizations, there's also the other side within the Chinese culture, where they are part of exchanging power and influence. This is something that we, from our Caucasian, Judeo-Christian basis, just don't comprehend."

Elections Canada loopholes make it easy for gangsters and foreign agents to contribute to Canadian politicians, money which is sometimes received unwittingly. While Mr. Abbott admits his party has "not taken any formal steps" to prevent such occurrences, he explains, "We're very deeply concerned about it and are doing our level best with what information we have to make sure we aren't compromised."

CITIC

<http://www.citic.com.cn/english/structure/index.html>

<http://www.washingtonpost.com/wp-srv/politics/special/campfin/stories/cf032697.htm>

To Chinese Firm, Access Becomes A Key Commodity

Conglomerate's Leader Boosts Country's Business Ties Abroad

By Steven Mufson

Washington Post Foreign Service

Wednesday, March 26 1997; Page A21

Wang Jun has sipped coffee socially with President Clinton, met informally with Morihiro Hosokawa when he was Japan's prime minister and chatted with Philippine President Fidel Ramos. He golfs with China's business elite and hobnobs with its political leaders. And he frequents, and chairs, the pricey Capital Club, a dining spot perched at the top of one of Beijing's tallest buildings.

Wang's key to this select company: his chairmanship of the China International Trust and Investment Corp. (CITIC), the most influential financial and industrial conglomerate in China.

Hong Kong has not been the only place that CITIC has ventured overseas in search of investment targets instead of investment funds. CITIC also has two substantial investments in the United States.

In 1988, CITIC bought the Claymont, Del., plant of the bankrupt Phoenix Steel Corp. and renamed the company CitiSteel USA. Despite CITIC's Communist parentage, it soon clashed with the United Steelworkers of America, which had represented the workers at Phoenix. CitiSteel hired an all-new work force and refused to recognize the union. After four years of legal skirmishes, the union essentially gave up its effort to organize the plant. In 1995, the company began to turn around; sales rose 15 percent and profits 30 percent, the CITIC annual report said. The plant has revenue of about \$100 million a year.

In the United States, CITIC has a wholly owned subsidiary, CITIFOR, a timber logging company with a mill and at least four plots of forest in Washington state – including three totaling 3,442 acres in Thurston County. CITIC paid \$34.4 million for two of these plots and another elsewhere in the state between mid-1993 and mid-1994.

The RICO actions are naming Li Ka-shing, Blackstone, CIBC, Global Crossing, many former Michael Milken co-defendants and many of the Global Crossing creditors that are supporting a ludicrously cheap and national security risky

takeover of Global Crossing by a person and a firm that apparently does not hold in high regard the security of the United States and its citizens.

In all due respect, we believe that it is unreasonable for FCC to approve a change of control while investigations are in progress and RICO litigation being prepared.

Attachment A.3

**GLOBAL CROSSING LTD.
360 North Crescent Drive
Beverly Hills, CA 90210**

CONFIDENTIALITY LETTER

April __, 2002

[Insert]

Dear []:

In connection with the consideration of a possible investment by [] (“you”) or one of your subsidiaries in Global Crossing Ltd. (together with our subsidiaries and affiliates, the “Company”, “we” or “us”) (such possible investment, the “Transaction”), you have requested that we provide to provide you certain information concerning the Company. As a condition to such information being furnished to you and/or your Representatives (as defined below), you agree to treat any information (whether written or oral) concerning the Company (whether prepared by the Company, our advisors or otherwise and irrespective of the form of communication) which is furnished (whether before or after the date hereof) to you by, or on behalf of, the Company or any of our advisors or other representatives or agents (herein collectively referred to as the “Evaluation Material”) in accordance with the provisions of this letter agreement and **to take or abstain from taking certain other actions herein set forth**. The term “Evaluation Material” does not include information which (i) is in your possession as of the date hereof, provided that such information is not known by you after reasonable inquiry to be subject to a confidentiality agreement or other legal, contractual or fiduciary obligation of secrecy, (ii) is or becomes publicly available other than as a result of a disclosure by you or your Representatives in violation of the terms hereof, (iii) is or becomes available to you on a non-confidential basis from a source other than us or any of our advisors or other representatives, provided that such source is not known by you after reasonable inquiry to be prohibited from disclosing such information by a confidentiality agreement or other legal, contractual or fiduciary obligation of secrecy or (iv) is independently developed by you without violating your obligations hereunder. Evaluation Material shall include all notes, analyses, compilations, studies or other documents, whether prepared by you or others, which contain or are based upon the confidential and proprietary information furnished to you or your Representatives concerning the Company. The term “Representatives” as used in this letter agreement shall include directors, executives, officers, and employees and legal advisors. Without our prior written consent, you shall not be permitted to share the Evaluation Material with

any other person (collectively, the “Other Persons”). If our written consent is provided to share the Evaluation Material with an Other Person, such Other Person shall agree in writing to be bound by the terms of this letter agreement and, thereafter, such Other Person shall be deemed one of “your Representatives” for all purposes of this letter agreement.

In consideration of such Evaluation Material being furnished, each party agrees to the following:

1. You hereby agree that the Evaluation Material will be used solely for the purpose of evaluating the Transaction, and that, except as required by law or regulation or by legal, regulatory or judicial process or by the rules of any applicable stock exchange, such information will be kept confidential by you and your Representatives and neither you nor your Representatives shall disclose any Evaluation Material in any manner to any person whatsoever; provided, however, that (i) any such information may be disclosed to your Representatives who need to know such information for the purpose of your evaluation of the Transaction (it being understood that such Representatives shall be informed by you of the confidential nature of such information and shall agree to be bound by the confidentiality and other provisions of this letter agreement, including, without limitation, paragraphs 1, 2 and 3 hereof) and (ii) any disclosure of such information may be made to the extent the Company shall consent to such disclosure in writing; provided further, however, that you will not in any event use the Evaluation Material in connection with any dispute that may arise between the parties hereto. You will be responsible for any breach of this letter agreement by any of your Representatives.

2. Except as required by law or regulation, by legal, regulatory or judicial process or by the rules of any applicable stock exchange, **you will not disclose to any person the fact that an evaluation of a Transaction with you is occurring or has occurred**, that Evaluation Material is being or has been made available to you or that discussions or negotiations are occurring or have occurred concerning a Transaction with you, or any of the terms, conditions or other facts with respect to any such Transaction, including the status thereof. The term “person” as used in this letter agreement shall be broadly interpreted to include, without limitation, the media and any corporation, company, group, partnership, individual or other entity.

3. In the event that you receive a request to disclose any information referred to in paragraph 2 hereof or that you receive a request to disclose any Evaluation Material, in any such case under any applicable law or regulation or legal, regulatory or judicial process or the rules of any applicable stock exchange, you agree (i) promptly to notify the Company in writing thereof in order to enable us to seek an appropriate protective order or other remedy or to waive compliance, in whole or in part, with the terms of this letter agreement, (ii) to consult with the Company on the advisability of taking steps to resist or narrow such request, and (iii) if disclosure is legally required, to use your reasonable best efforts to cooperate with the Company in any attempt that it may make to obtain a protective order or other appropriate remedy and/or waive compliance, in whole or in part, with the terms of this letter agreement. In the event that such protective order or other remedy is not obtained, or that the Company waives compliance

with the provisions hereof, you agree to furnish only that portion of the Evaluation Material and/or the information referred to in paragraph 2 hereof which you are advised by counsel is legally required to be disclosed and to exercise your reasonable best efforts to obtain reliable assurance that confidential treatment will be accorded such Evaluation Material and/or information referred to in paragraph 2 hereof.

4. Each party hereto agrees that unless and until a definitive agreement between the Company and you with respect to a Transaction involving the Company has been executed and delivered, neither the Company nor you will be under any legal obligation of any kind whatsoever with respect to such a Transaction by virtue of this letter agreement or any written or oral expression with respect to such a Transaction by any of its Representatives except, in the case of this letter agreement or any other written agreement which purports to be binding, for the matters specifically agreed to herein or therein. You understand and acknowledge that the Company makes no representation or warranty as to the accuracy or completeness of the Evaluation Material, and you agree that neither the Company nor any of its Representatives or security holders will have any liability to you or any of your Representatives relating to or resulting from the use of the Evaluation Material.

5. You agree that, for a period of three years from the date of this letter agreement, without the prior written consent of the Company, you will not, directly or indirectly, solicit to hire or hire any employee of the Company with whom you have had contact or who (or whose performance) became known to you in connection with the process contemplated by this letter agreement; provided, however, that the foregoing provision will not prevent you from making solicitations by general employment advertisements not specifically directed at any employees of the Company.

6. If you determine that you do not wish to proceed with a Transaction, you will promptly notify us of that decision. In any event, you shall promptly, upon our request, return to the Company or destroy, if so requested by the Company, all Evaluation Material in your possession and will not retain any copies, extracts or other reproductions in whole or in part of such written material. Upon our request, any such destruction shall be certified in writing by one of your authorized officers supervising such destruction.

7. You hereby acknowledge that you are aware, and that you will advise your Representatives, that the United States securities laws generally prohibit any person who has material, non-public information concerning the matters which are the subject of this letter agreement from purchasing or selling securities of a company which may be a party to a transaction of the type contemplated by this letter agreement or from communicating such information to any other person under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such securities.

8. You agree that, until three years from the date hereof, without the prior approval of the Board of Directors of the Company, neither you nor any of your affiliates will: (i) in any manner acquire, agree to acquire or make any proposal to acquire, directly or indirectly, by means of purchase, merger, business combination or in any other manner, beneficial ownership of any securities (or direct or indirect rights or options to acquire any securities), properties or assets of the Company or any of its subsidiaries, (ii)

make, or in any way participate, directly or indirectly, in any “solicitation” or “proxies” (as such terms are used in the proxy rules of the Securities and Exchange Commission) to vote, or seek to advise or influence any person with respect to the voting of, any voting securities of the Company or any of its subsidiaries, (iii) form, join or in any way participate in a “group” (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934) with respect to any voting securities of the Company or any of its subsidiaries, (iv) otherwise act, alone or in concert with others, to seek to control, advise, change or influence the management, board of directors, governing instruments, policies or affairs of the Company, (v) make any public disclosure, or take any action that could require the Company to make any public disclosure, with respect to any of the matters set forth in this letter agreement, (vi) disclose any intention, plan or arrangement inconsistent with the foregoing or (vii) directly or indirectly enter into any discussions, negotiations or understandings with any other person with respect to any of the foregoing or advise, assist or encourage any other persons in connection with any of the foregoing. You agree to advise us promptly of any inquiry or proposal made to you with respect to any of the foregoing. You also agree that during such period you shall not request the Company or any of its Representatives, directly or indirectly, to amend or waive any provision of this paragraph (including this sentence).

9. You agree that money damages would be both incalculable and would not be a sufficient remedy for any breach of this letter agreement by you, that the Company shall be entitled to, and you shall not oppose the granting of equitable relief, including injunction and specific performance in the event of any such breach, in addition to all other remedies available to the Company at law or in equity. You further agree to waive, and to use your reasonable best efforts to cause your officers, employees and agents to waive, any requirement for the securing or posting of any bond in connection with such remedy.

10. It is understood and agreed that no failure or delay by a party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege hereunder.

11. The invalidity or unenforceability of any provision of this letter agreement shall not affect the validity or enforceability of any other provisions of this letter agreement, which shall remain in full force and effect.

12. This letter agreement constitutes the entire agreement and understanding of the parties hereto with respect to the subject matter hereof and supersedes any and all prior agreements, arrangements and understandings relating to the matter provided for herein. No alteration, waiver, amendment, change or supplement hereto shall be binding or effective unless the same is set forth in a writing signed by each party hereto. This letter agreement may be executed in separate counterparts, all of which taken together shall constitute one and the same instrument. Neither party may assign its rights or obligations under this letter agreement without the prior written consent of the other party hereto.

13. Nothing in this letter agreement is intended to grant you any rights under any patent, copyright, trade secret or other intellectual property right nor shall this letter agreement grant you any rights in or to the Evaluation Material, except the limited right to review the Evaluation Material solely for the purpose and in the manner set forth in paragraph 1 of this letter agreement.

14. This letter agreement shall be governed by, and construed in accordance with, the laws of the State of New York. Each party hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the courts of the United States of America located in the Southern District of New York, unless such courts decline the exercise of jurisdiction, in which case the courts of the State of New York located in New York City, New York, for any actions, suits or proceedings arising out of or relating to this letter agreement (and the parties agree not to commence any action, suit or proceeding relating thereto except in such courts), and further agrees that service of any process, summons, notice or document by U.S. registered mail to the respective addresses set forth in this letter agreement to the attention of the applicable party's general counsel shall be effective service of process for any action, suit or proceeding brought against the parties in any such court. Each party hereby irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this agreement, in the courts of the State of New York or the United States of America located in the Southern District of New York, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

15. You agree that you shall not directly or indirectly export, re-export or transship products, technology, software or any of the other Evaluation Material (or any portion thereof) in violation of any applicable export control law or regulation of the United States or any other country having jurisdiction over the parties hereto or the transactions contemplated hereunder.

If you agree with the foregoing, please sign and return a copy of this letter agreement, which shall constitute your and our agreement with respect to the matters referred to herein.

Very truly yours,

GLOBAL CROSSING LTD.

By: _____

Name:

Title:

Address: 360 N. Crescent Drive
Beverly Hills, CA 90210

Confirmed and agreed to as of
the date first written above:

[INSERT]

By: _____

Name:

Title:

Address: [_____]

We refused to sign the Blackstone NDA due to its trying to control HOW we could bid. The ordered order sale of assets, US BANK CODE STYLE – not Blackstone method and suppression of due diligence across the board.

Attachment A.4

**GLOBAL CROSSING LTD.
360 North Crescent Drive
Beverly Hills, CA 90210**

CONFIDENTIALITY LETTER

May 3, 2002

GlobalAxxess Holdings, Inc.

Attn: Mr. W. Gregg Almand, General Counsel

11101 Anderson Drive, Suite 203

Little Rock, AR 72212

Dear []:

In connection with the consideration of a possible acquisition by GlobalAxxess Holdings, Inc., (“you”) or one of your subsidiaries of Global Crossing Ltd. (together with our subsidiaries and affiliates, the “Company”, “we” or “us”) (such possible acquisition, the “Contemplated Transaction”) pursuant to Title 11, 11 U.S.C. § 363 of the United States Bankruptcy Code, you have requested that we provide to you certain information concerning the Company for evaluation of the Company for a possible acquisition by GlobalAxxess. As a condition to such information being furnished to you and/or your Representatives (as defined below), you agree to treat any information (whether written or oral) concerning the Company (whether prepared by the Company, our advisors or otherwise and irrespective of the form of communication) which is furnished (whether before or after the date hereof) to you by, or on behalf of, the Company or any of our advisors or other representatives or agents (herein collectively referred to as the “Evaluation Material”) in accordance with the provisions of this letter agreement and hold all such information confidential and not subject to release to other persons or entities not a part of the GlobalAxxess company, its consultants, advisors or legal counsel without the express written consent of Global Crossing..

The term “Evaluation Material” does not include information which (i) is in your possession as of the date hereof, provided that such information is not known by you after reasonable inquiry to be subject to a confidentiality agreement or other legal, contractual or **fiduciary obligation, if any**, (ii) is or becomes publicly available other than as a result of a disclosure by you or your Representatives in violation of the terms hereof,

(iii) is or becomes available to you on a non-confidential basis from a source other than Global Crossing or any of our advisors or other representatives, provided that such source is not known by you after reasonable inquiry to be prohibited from disclosing such information by a confidentiality agreement or other legal, contractual or fiduciary obligation of secrecy or (iv) is independently developed by you without violating your obligations hereunder. Evaluation Material shall include all notes, analyses, compilations, studies or other documents, whether prepared by you or others, which contain or are based upon the confidential and proprietary information furnished to you or your Representatives concerning the Company. "Evaluation Material" does include all contracts, financial information, billing, receivables, past due accounts, agreements with trade creditors, vendors, lenders both secured and unsecured, corporate governance, shareholders, any pending or threaten litigation by any party or parties, operations, HR, customer agreements, facility leases for sales and marketing offices, PoPs, data centers, IRUs, peering agreements, cable capacity or syndication agreements, capacity swap agreements, CLEC licenses or other communications licenses, permits, franchise right(s) or right to do business, any intra-corporate agreements between Global Crossing and any wholly or partially owned subsidiary, employment contracts, ERISA, ESOP agreements, etc. that GlobalAxxess deems, it deems in its sole discretion, necessary and appropriate to fully and completely evaluate the Contemplated Transaction. GlobalAxxess utilizes a standard form Asset Acquisition Agreement that includes a full Seller's Disclosure Statement as part of the § 363 bid process. The GlobalAxxess agreement includes "Included Assets", "Excluded Assets", "Included Liabilities" and "Excluded Liabilities" the definition of which are a process of full and complete Due Diligence, and mitigated by the GlobalAxxess definition of "Material Adverse Effect" as Purchaser.

The term "Representatives" as used in this letter agreement shall include directors, executives, officers, and employees and legal advisors. Without our prior written consent, you shall not be permitted to share the Evaluation Material with any other person (collectively, the "Other Persons"). If our written consent is provided to share the Evaluation Material with an Other Person, such Other Person shall agree in writing to be bound by the terms of this letter agreement and, thereafter, such Other Person shall be deemed one of "your Representatives" for all purposes of this letter agreement.

In consideration of such Evaluation Material being furnished, each party agrees to the following:

1. You hereby agree that the Evaluation Material will be used solely for the purpose of evaluating the Contemplated Transaction, and that, except as required by law or regulation or by legal, regulatory or judicial process or by the rules of any applicable stock exchange, such information will be kept confidential by you and your Representatives and neither you nor your Representatives shall disclose any Evaluation Material in any manner to any person whatsoever; provided, however, that (i) any such information may be disclosed to your Representatives who need to know such information for the purpose of your evaluation of the Contemplated Transaction (it being understood that such Representatives shall be informed by you of the confidential nature of such information and shall agree to be bound by the confidentiality and other provisions of this letter agreement, including, without limitation, paragraphs 1, 2 and 3

hereof) and (ii) any disclosure of such information may be made to the extent the Company shall consent to such disclosure in writing. You will be responsible for any breach of this letter agreement by any of your Representatives.

2. Except as required by law or regulation, by legal, regulatory or judicial process or by the rules of any applicable stock exchange, **you may not disclose to any person any details relating to your evaluation of a Contemplated Transaction with you is occurring other than the fact that GlobalAxxess has elected to submit a bid relating to the Contemplated Transaction in the § 363 bidding process ordered by the U.S. Bankruptcy Court or upon having performed due diligence to the full extent deemed necessary for such a Contemplated Transaction, GlobalAxxess declined to pursue the Contemplated Transaction, provided however that GlobalAxxess does not disclose** any of the terms, conditions or other facts with respect to any such Contemplated Transaction if GlobalAxxess declines to submit a bid under the § 363 bidding process, including the status thereof. The term “person” as used in this letter agreement shall be broadly interpreted to include, without limitation, the media and any corporation, company, group, partnership, individual or other entity and specifically excludes any announced or unannounced bidder for Global Crossing that elects to submit a joint bid with GlobalAxxess under § 363 to acquire the assets of Global Crossing after conducting its own due diligence and determining that a joint bid is more advisable than a standalone bid. In the event any of the announced or unannounced bidders elects to submit a joint bid with GlobalAxxess, the terms of the separate Confidentiality Agreement with such other party shall be waived by Global Crossing and the provisions of this Confidentiality Agreement shall apply to both GlobalAxxess and any joint bidder.

3. In the event that you receive a request to disclose any information referred to in paragraph 2 hereof or that you receive a request to disclose any Evaluation Material relating to any ongoing or commencing investigation, in any such case under any applicable law or regulation or legal, regulatory or judicial process or the rules of any applicable stock exchange, you agree (i) promptly to notify the Company in writing thereof in order to enable us to seek an appropriate protective order or other remedy or to waive compliance, in whole or in part, with the terms of this letter agreement, (ii) to consult with the Company on the advisability of taking steps to resist or narrow such request, and (iii) if disclosure is legally required, to use your reasonable best efforts to cooperate with the Company in any attempt that it may make to obtain a protective order or other appropriate remedy and/or waive compliance, in whole or in part, with the terms of this letter agreement. In the event that such protective order or other remedy is not obtained, or that the Company waives compliance with the provisions hereof, you agree to furnish only that portion of the Evaluation Material and/or the information referred to in paragraph 2 hereof which you are advised by counsel is legally required to be disclosed and to exercise your reasonable best efforts to obtain reliable assurance that confidential treatment will be accorded such Evaluation Material and/or information referred to in paragraph 2 hereof.

4. Each party hereto agrees that unless and until a definitive agreement between the Company and you with respect to a Contemplated Transaction involving the Company has been executed and delivered, neither the Company nor you will be under any legal obligation of any kind whatsoever with respect to such a Contemplated

Transaction by virtue of this letter agreement or any written or oral expression with respect to such a Contemplated Transaction by any of its Representatives except, in the case of this letter agreement or any other written agreement which purports to be binding, for the matters specifically agreed to herein or therein. You understand and acknowledge that the Company makes no representation or warranty as to the accuracy or completeness of the Evaluation Material, and you agree that neither the Company nor any of its Representatives or security holders will have any liability to you or any of your Representatives relating to or resulting from the use of the Evaluation Material. Global Crossing agrees to provide all information requested by GlobalAxxess that it deems, in its sole discretion, is information that is reasonable to conduct a full and complete due diligence as to the merits or the Contemplated Transaction, the full and complete assets and liabilities of Global Crossing, and any matters or disclosures that could result in a Material Adverse Effect or negatively affect a Contemplated Transaction either during or following the § 363 bid process in the U.S. Bankruptcy Court.

5. You agree that, for a period of three years from the date of this letter agreement, without the prior written consent of the Company, you will not, directly or indirectly, solicit to hire or hire any employee of the Company with whom you have had contact or who (or whose performance) became known to you in connection with the process contemplated by this letter agreement; provided, however, that the foregoing provision will not prevent you from making solicitations by general employment advertisements not specifically directed at any employees of the Company.

6. If you determine that you do not wish to proceed with the Contemplated Transaction, you will promptly notify us of that decision. In any event, you shall promptly, upon our request, return to the Company or destroy, if so requested by the Company, all Evaluation Material in your possession and will not retain any copies, extracts or other reproductions in whole or in part of such written material. Upon our request, any such destruction shall be certified in writing by one of your authorized officers supervising such destruction.

7. You hereby acknowledge that you are aware, and that you will advise your Representatives, that the United States securities laws generally prohibit any person who has material, non-public information concerning the matters which are the subject of this letter agreement from purchasing or selling securities of a company which may be a party to a transaction of the type contemplated by this letter agreement or from communicating such information to any other person under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such securities.

8. You agree that should GlobalAxxess decline to submit a bid under the § 363 bidding process, until one year from the date hereof, without the prior approval of the Board of Directors of the Company, neither you nor any of your affiliates will: (i) in any manner acquire, agree to acquire or make any proposal to acquire, directly or indirectly, by means of purchase, merger, business combination or in any other manner, beneficial ownership of any securities (or direct or indirect rights or options to acquire any securities), properties or assets of the Company or any of its subsidiaries, (ii) make, or in any way participate, directly or indirectly, in any “solicitation” or “proxies” (as such

terms are used in the proxy rules of the Securities and Exchange Commission) to vote, or seek to advise or influence any person with respect to the voting of, any voting securities of the Company or any of its subsidiaries, (iii) form, join or in any way participate in a "group" (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934) with respect to any voting securities of the Company or any of its subsidiaries, (iv) otherwise act, alone or in concert with others, to seek to control, advise, change or influence the management, board of directors, governing instruments, policies or affairs of the Company, (v) make any public disclosure, or take any action that could require the Company to make any public disclosure, with respect to any of the matters set forth in this letter agreement, (vi) disclose any intention, plan or arrangement inconsistent with the foregoing or (vii) directly or indirectly enter into any discussions, negotiations or understandings with any other person with respect to any of the foregoing or advise, assist or encourage any other persons in connection with any of the foregoing. You agree to advise us promptly of any inquiry or proposal made to you with respect to any of the foregoing. You also agree that during such period you shall not request the Company or any of its Representatives, directly or indirectly, to amend or waive any provision of this paragraph (including this sentence). Otherwise, GlobalAxxess expressly stipulates and agrees that GlobalAxxess may pursue any means, bidding techniques, deal structure, or in any manner it chooses to participate in the § 363 bidding process in the U.S. Bankruptcy Court if GlobalAxxess elects to pursue the Contemplated Transaction, and if such Contemplated Transaction is pursued and submitted during the bidding process nothing in this section 8 shall be construed to limit, bar, modify or control the terms, conditions or methods GlobalAxxess can utilize in the formation and submission of such bid.

9. You agree that money damages could be a justified remedy for any breach of this letter agreement by you, that the Company may be entitled to as determined by a court of competent jurisdiction, including injunction and specific performance in the event of any such breach, in addition to all other remedies available to the Company at law or in equity if granted by a court of competent jurisdiction.

10. It is understood and agreed that no failure or delay by a party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege hereunder except where any subject matter is or could be at issue and is under the jurisdiction of the United States Bankruptcy Court as the court of competent jurisdiction.

11. The invalidity or unenforceability of any provision of this letter agreement shall not affect the validity or enforceability of any other provisions of this letter agreement, which shall remain in full force and effect.

12. This letter agreement constitutes the entire agreement and understanding of the parties hereto with respect to the subject matter hereof and supersedes any and all prior agreements, arrangements and understandings relating to the matter provided for herein. No alteration, waiver, amendment, change or supplement hereto shall be binding or effective unless the same is set forth in a writing signed by each party hereto. This letter agreement may be executed in separate counterparts, all of which taken together shall constitute one and the same instrument. Neither party may

assign its rights or obligations under this letter agreement without the prior written consent of the other party hereto.

13. Nothing in this letter agreement is intended to grant you any rights under any patent, copyright, trade secret or other intellectual property right nor shall this letter agreement grant you any rights in or to the Evaluation Material, except the limited right to review the Evaluation Material solely for the purpose and in the manner set forth in paragraph 1 of this letter agreement.

14. This letter agreement shall be governed by, and construed in accordance with, the laws of the State of New York and specifically subject to the determination of the United States Bankruptcy Court regarding any disputes or determination regarding any provision herein. Each party hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the courts of the United States of America located in the Southern District of New York, unless such courts decline the exercise of jurisdiction, in which case the courts of the State of New York located in New York City, New York, for any actions, suits or proceedings arising out of or relating to this letter agreement (and the parties agree not to commence any action, suit or proceeding relating thereto except in such courts), and further agrees that service of any process, summons, notice or document by U.S. registered mail to the respective addresses set forth in this letter agreement to the attention of the applicable party's general counsel shall be effective service of process for any action, suit or proceeding brought against the parties in any such court. Each party hereby irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this agreement, in the courts of the State of New York or the United States of America located in the Southern District of New York, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum. The parties mutually stipulate that the United States Bankruptcy Court, Southern District of New York shall have sole and exclusive jurisdiction under this Agreement to determine any disputes, interpretation of the terms and conditions herein, and any other matters at law regarding this Agreement, confidentiality of the Evaluation Material or the Contemplated Transaction.

15. You agree that you shall not directly or indirectly export, re-export or transship products, technology, software or any of the other Evaluation Material (or any portion thereof) in violation of any applicable export control law or regulation of the United States or any other country having jurisdiction over the parties hereto or the transactions contemplated hereunder. The parties mutually stipulate that the **Economic Espionage Act applies to this Agreement and all** Confidential Information disclosed under this Agreement is subject to the provisions of the Economic Espionage Act of 1996. The parties hereby agree that they do not intend to and will not knowingly, without the prior written consent, if required, of the Office of Export Licensing of the U.S. Department of Commerce, transmit directly or indirectly any Confidential Information received under the terms of this Agreement; or any immediate product (including processes or services) produced directly by the use of such Confidential Information; or any commodity produced by such immediate product if the immediate product of such Confidential Information is a plant or a major component of a plant; to any Group D and

E country specified in Supplement No. 1 to Part 740 of the Export Administration Regulations issued by the U.S. Department of Commerce; or to any citizen or resident of any of the aforementioned countries, or to any other country subject to trade restrictions imposed by U.S. Executive Orders.

If you agree with the foregoing, please sign and return a copy of this letter agreement, which shall constitute your and our agreement with respect to the matters referred to herein.

Very truly yours,

GLOBAL CROSSING LTD.

By: _____

Name:

Title:

Address: 360 N. Crescent Drive

Beverly Hills, CA 90210

Confirmed and agreed to as of
the date first written above:

By: _____

Name: Karl W. B. Schwarz

Title: Chairman, Chief Executive

Address: 11101 Anderson Drive, Suite 203
Little Rock, AR 72212

We modified the Confidentiality Agreement presented to us to include documentations that any prudent buyer would want to see to evaluate the bid and the risks. They refused to sign it. There is NOTHING that we asked for that is NOT PRUDENT to see in an acquisition. The e-room provided by Blackstone and Global Crossing was a JOKE as to what it allowed potential bidders to see. They did not provide the real documents or complete documentation. Blackstone's version of what they wanted all to see was all that was provided to potential bidders.

Global Crossing and Blackstone were undermining the acquisition process and the bidding procedures in bankruptcy.

The media reported 4 bids; Gores Technology / Platinum, JP Morgan Chase, Fiber Optek, and KAB. We hear there were over 20 bidders of which we were included in the unannounced group. We are also aware that TenXCapital submitted a bid. Mr. John Buck, Managing Director, TenXCapital. His contact information is listed above.

Attachment A.5

The following is out of one of the lawsuits:

COUNT 1 – VIOLATION OF CIVIL AND PROPERTY RIGHTS OF COMMON SHAREHOLDERS AND DISSENTING BONDHOLDERS IN BANKRUPTCY

Plaintiff John Hovel led the effort to get a Shareholders Committee appointed to the Global Crossing Chapter 11 and was denied. In denying his standing and all other common equity holders of Global Crossing, the WCG bankruptcy hearing on June 28 and subsequent ruling July 10 was cited. On the word of the Debtor and their Financial Advisor Defendant Blackstone, the Debtor says it is a “no equity for the commons” case and the U.S. Trustee does not inquire in depth to verify if that is a truthful representation on the part of Debtor WCG or Blackstone.

WCG filed bankruptcy with approximately \$7.2 billion in assets and \$5.9 billion in debt, much of which was questionable and the U.S. Trustee made no inquiry as to their being any prior fraud, misstatement of fact, or even if the schedules filed in the bankruptcy were in fact true. On the “word” of the Debtor and financial advisor, the U.S. Trustee denied the request for a Shareholders Committee and then the Court backed the U.S. Trustee up in two hearings on the matter.

The U.S. Trustee has received sufficient notice that there was serious wrongdoing by Debtor WCG and its former parent Williams Companies. Sufficient enough that an a Tulsa attorney contact the Chairman, CEO of Plaintiff GlobalAxxess to request a meeting before any complaints were filed citing bankruptcy fraud and RICO.

Global Crossing filed Chapter 11 citing \$22 billion in assets and \$12.4 billion in debt. By taking an arbitrary write-down of over \$8 billion on assets and again accepting that the “word” of the Debtor and their Financial Advisor Blackstone was “sufficient evidence” the U.S. Trustee and the Court denied the Global Crossing shareholders an Official Committee status, notwithstanding the fact that the Court has already approved the Debtor paying the legal expenses of current and former Global Crossing executives being investigated for fraud.

Then the U.S. Trustee completely reverses herself when it is Blackstone as the “Interested Shareholder Party” and not the financial advisor of Debtor Adelphia, without first checking into the veracity of the request, whether or not Blackstone has a “vested interest” in a Shareholders Committee in the Adelphia bankruptcy case.

ADELPHIA APPOINTS LEONARD TOW AND SCOTT SCHNEIDER TO THE BOARD OF DIRECTORS

COUDERSPORT, Pa., May 28, 2002 – Adelphia Communications Corporation (Nasdaq: ADLAE) announced today that it has offered to appoint Leonard Tow and Scott Schneider to the Company's Board of Directors and that Messrs. Tow and Schneider had agreed to accept such appointments. Dr. Tow, who, together with certain family trusts, owns approximately 12% of Adelphia's common stock, is Chairman and CEO of Citizens Communications. Mr. Schneider is Vice Chairman of Citizens Communications. Newly appointed Chairman and interim Chief Executive Officer Erland E. Kailbourne said, "The Special Committee of independent directors is committed to addressing head on, and resolving quickly and thoroughly, all the issues facing this Company. We are committed to take every action necessary to preserve and build on the many strengths of the Company on behalf of the Company's banks, bondholders, shareholders and other constituencies. We look forward to working constructively with Dr. Tow and Mr. Schneider to accomplish these objectives."

Dr. Tow said, "Scott Schneider and I are prepared to deal with the serious challenges facing Adelphia. As the largest unaffiliated investor in Adelphia, my interests are clearly aligned with those of all Adelphia banks, bondholders and shareholders. Additionally, Scott and I have extensive experience in the cable industry and an in-depth knowledge of many of Adelphia's assets. We are committed to restoring Adelphia's credibility and stabilizing the company financially in order to protect the interests of all Adelphia's public and private lenders and shareholders. We look forward to working constructively with the Special Committee to accomplish these objectives."

Leonard Tow has been associated with Citizens Communications since April 1989 as a Director. In June 1990, he was elected Chairman of the Board and Chief Executive Officer. He was also Chief Financial Officer from October 1991 through November 1997. He was a Director and Chief Executive Officer of Century Communications Corp., a cable television company, from its incorporation in 1973 and chairman of its Board of Directors from October 1989 until October 1999. Tow was also founder and a Director of Centennial Cellular Corp.

Scott Schneider has been associated with Citizens since October 1999. In February 2001, he was elected Vice Chairman of the Board. In July 2000, he was elected Director of Citizens. He is currently Vice Chairman of the Board and President of Citizens and Chairman of Citizens Capital Ventures, a wholly owned subsidiary of Citizens. Prior to joining Citizens, he was a Director (from October 1994 to October 1999), Chief Financial Officer (from December 1996 to October 1999), Senior Vice President and Treasurer (from June 1991 to October 1999) of Century Communications Corp. He also served as a Director, Chief Financial Officer, Senior Vice President and Treasurer of Centennial Cellular from August 1991 to October 1999. Adelphia Communications Corporation, with headquarters in Coudersport, Pennsylvania, is the sixth-largest cable television company in the country.

The Plaintiffs assert that the U.S. Trustee was remiss in not checking into the veracity of these statements before she approved the appointment of an Official Shareholders Committee in Adelphia and denying same to WCG and Global Crossing shareholders based on the “word” of two questionable and dishonest Debtors and a financial advisor that is merely a “hired gun” to lie, suppress due diligence and investigation and otherwise guide the process the “Blackstone Way” and not in the best interest of all creditors and NEVER in the best interest of Common Shareholders – unless Blackstone is one of the shareholders. [emphasis added]

To address this complaint properly, and for the U.S. Trustee to do her job properly in SDNY bankruptcy court, requires more than a rubber stamp approving and “insider driven” request for an Official Shareholders Committee and denying two legitimate requests for the same and equal rights, equal treatment under the law, and just downright fairness. In the midst of a massive shareholder breakdown in confidence in the markets, lenders, and Wall Street underwriters, it seems that the U.S. Trustee is not asking the prudent questions, mainly “WHY” and “Who is behind this mess?”

The U.S. Trustee did not ask “Who is Dr. Leonard Tow and does he have any relationship to any party that would cause DENIAL of the Official Shareholders Committee?”

“Dr. Leonard Tow was also the founder and a Director of Centennial Cellular Corp.” according to the May 28, 2002 article.

Posted on Wed, Jul. 31, 2002

Adelphia Trustee Appoints Panel

WASHINGTON (AP) - The U.S. Trustee overseeing the administration of Adelphia Communications Corp.'s Chapter 11 case has appointed a formal committee to represent shareholders in the case, according to a filing Wednesday with the U.S. Bankruptcy Court in Manhattan.

The move is a positive step for shareholders, because formal committees generally get a bigger say over a company's reorganization and their expenses are paid for by the bankrupt company.

The move could also mean that the U.S. Trustee believes shareholders could see some recovery from the embattled Coudersport, Pa.-based cable company. Shareholder committees are generally only appointed if it appears there may be equity in a company for shareholders to recover.

U.S. Trustee Carolyn Schwartz couldn't be reached for comment Wednesday afternoon.

Shareholders take a back seat to all other creditor groups in Chapter 11 and are generally only entitled to recoveries if anything is left after all other creditors have been fully paid. Shareholders frequently don't see any recoveries in Chapter 11 and shareholder committees aren't normally appointed.

Schwartz recently declined to appoint a shareholders' committee in Williams Communications Group Inc.'s Chapter 11 case, a decision that was upheld last week by Judge Burton R. Lifland of the U.S. Bankruptcy Court in Manhattan.

Adelphia Communications, the sixth-largest cable company in the U.S., listed assets of \$24.41 billion and debts of \$18.6 billion in its Chapter 11 filing in late June.

However, Adelphia said that the debt amount it listed in its Chapter 11 filing doesn't reflect off-balance sheet obligations and that it couldn't provide assurances that the financial information in its Chapter 11 filing, taken from a quarterly report dated Sept. 30, 2001, was complete and verifiable.

Schwartz named five shareholders to Adelphia Communications' shareholders' panel, saying they were among the largest holders willing to serve.

The committee members are Leonard Tow, on behalf of himself and **certain affiliates**; Wallace R. Weitz & Co.; **AIG DKR Sound Shore Funds**; Blue River LLC - Personal Holdings of Van Greenfield; and **Highbridge Capital Corp.**

Adelphia Issues Statement Regarding the Resignation Of Directors Leonard Tow and Scott Schneider

COUDERSPORT, Pa., June 10 /PRNewswire-FirstCall/ -- Adelphia Communications Corporation (OTC: ADELA) today issued the following statement in response to the announcement by Leonard Tow and Scott Schneider that they had resigned their seats on the Company's Board of Directors:

"We are disappointed that Messrs. Tow and Schneider chose not to continue their service as directors and help Adelphia resolve the challenges it faces. Nevertheless, the Company's independent directors, management and employees remain committed to preserving Adelphia's many strengths and restoring the Company's credibility among its key stakeholders."

Adelphia Appoints Leonard Tow And Scott Schneider to the Board of Directors

COUDERSPORT, Pa., May 28 /PRNewswire-FirstCall/ -- Adelphia Communications Corporation (Nasdaq: [ADLAE](#)) announced today that it has offered to appoint Leonard Tow and Scott Schneider to the Company's Board of Directors and that Messrs. Tow and Schneider had agreed to accept such appointments. Dr. Tow, who, together with certain family trusts, owns

approximately 12% of Adelphia's common stock, is Chairman and CEO of Citizens Communications. Mr. Schneider is Vice Chairman of Citizens Communications.

Newly appointed Chairman and interim Chief Executive Officer Erland E. Kailbourne said, "The Special Committee of independent directors is committed to addressing head-on, and resolving quickly and thoroughly, all the issues facing this Company. We are committed to take every action necessary to preserve and build on the many strengths of the Company on behalf of the Company's banks, bondholders, shareholders and other constituencies. We look forward to working constructively with Dr. Tow and Mr. Schneider to accomplish these objectives."

Dr. Tow said, "Scott Schneider and I are prepared to deal with the serious challenges facing Adelphia. As the largest unaffiliated investor in Adelphia, my interests are clearly aligned with those of all Adelphia banks, bondholders and shareholders. Additionally, Scott and I have extensive experience in the cable industry and an in-depth knowledge of many of Adelphia's assets. We are committed to restoring Adelphia's credibility and stabilizing the company financially in order to protect the interests of all Adelphia's public and private lenders and shareholders. We look forward to working constructively with the Special Committee to accomplish these objectives."

Leonard Tow has been associated with Citizens Communications since April 1989 as a Director. In June 1990, he was elected Chairman of the Board and Chief Executive Officer. He was also Chief Financial Officer from October 1991 through November 1997. He was a Director and Chief Executive Officer of Century Communications Corp., a cable television company, from its incorporation in 1973 and chairman of its Board of Directors from October 1989 until October 1999. Tow was also founder and a Director of Centennial Cellular Corp.

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was elected Director of Citizens. He is currently Vice Chairman of the Board and President of Citizens and Chairman of Citizens Capital Ventures, a wholly owned subsidiary of Citizens. Prior to joining Citizens, he was a Director (from October 1994 to October 1999), Chief Financial Officer (from December 1996 to October 1999), Senior Vice President and Treasurer (from June 1991 to October 1999) of Century Communications Corp. He also served as a Director, Chief Financial Officer, Senior Vice President and Treasurer of Centennial Cellular from August 1991 to October 1999.

Adelphia Communications Corporation, with headquarters in Coudersport, Pennsylvania, is the sixth-largest cable television company in the country.

The U.S. Trustee has not asked, **“Who is Scott Schneider?”**

Scott Schneider has been associated with Citizens since October 1999. In February 2001, he was elected Vice Chairman of the Board. In July 2000, he was elected Director of Citizens. He is currently Vice Chairman of the Board and **President of Citizens and Chairman of Citizens Capital Ventures**, a wholly owned subsidiary of Citizens. Prior to joining Citizens, he was a Director (from October 1994 to October 1999), Chief Financial Officer (from December 1996 to October 1999), Senior Vice President and Treasurer (from June 1991 to October 1999) of Century Communications Corp. He also served as a Director, Chief Financial Officer, Senior Vice President and Treasurer of **Centennial Cellular** from August 1991 to October 1999.

Rudy Graf And Scott Schneider Elected To Board Of Citizens Utilities' Subsidiary, Electric Lightwave

Rudy Graf And Scott Schneider Elected To Board Of Citizens Utilities' Subsidiary, Electric Lightwave VANCOUVER, Wash., Nov. 29 -- The Board of Directors of Electric Lightwave Inc. (Nasdaq: ELIX - news) announced today the election of Rudy J. Graf as chief executive officer. Mr. Graf and Scott N. Schneider were also elected directors of Electric Lightwave, Inc. Mr. Graf is President and Chief Operating Officer of

Citizens Utilities Company (NYSE: CZN - news, CZNPr - news). Before this, he was President and Chief Operating Officer of Centennial Cellular Corp., a provider of wireless and wireline telephone services in the United States and Puerto Rico.

Mr. Schneider is Executive Vice President, Strategic Planning and Development for Citizens and President of Citizens Capital Ventures, a new subsidiary formed to take advantage of telecommunications business opportunities in e-commerce and the Internet. Prior to this position, he was Senior Vice President and Chief Financial Officer of Century Communications Corp.

About Electric Lightwave Electric Lightwave Inc. is a leading integrated communications provider of enhanced data services, frame relay, ATM and Internet access solutions to bandwidth intensive businesses and the growing e-commerce market. The company offers businesses local and long distance telephone service and high-speed broadband transport that interconnects major markets in the West. Additional information about Electric Lightwave Inc. is located on the World Wide Web at www.eli.net. (ties straight to ENRON in Oregon subsidiary).

See Scott Schneider – insider trades before this CRASHED

<http://biz.yahoo.com/t/00/1046.html>

The U.S. Trustee has not asked, **"Who is Centennial Cellular?"**

<http://www.igigroup.com/news/archives1998/98nov30-4.html>

Investment Firm Lowers Purchase Price for Centennial Cellular Welsh, Carson, Anderson & Stowe L.P., a New York investment firm, announced that it has reduced the purchase price for Centennial Cellular Corporation to \$41.50 a share from \$43.50. This change lowers the purchase price by \$60 million. Welsh, Carson and **certain affiliates of Blackstone Capital Partners** have agreed to raise their equity investment in the deal to \$400 million from \$350 million.

FROM HOOVERS:

Centennial Communications has high hopes for the 21st century. The company, formerly Centennial Cellular, has more than 882,000 wireless communications subscribers in the US and the Caribbean. Its cellular licenses cover smaller markets in Indiana, Louisiana, Michigan, Mississippi, Ohio, and Texas. Centennial also offers PCS (personal communications services) in the Dominican Republic, Jamaica, Puerto Rico, and the US Virgin Islands. The company operates as a competitive local-exchange carrier (CLEC) in Puerto Rico, where it also operates two cable TV systems. Venture capital firm Welsh, Carson, Anderson & Stowe and **a unit of the Blackstone Group** are Centennial's controlling shareholders.

The U.S. Trustee has not asked, **“Who is CITIZENS?”**

More than 365 days [one (1) year statute of limitation on bankruptcy to go back and recover assets of the estate] Blackstone and their counsel Simpson Thacher & Bartlett were involved in the purchase of Frontier from Global Crossing, a removal of assets from the estate in favor of a company that BLACKSTONE owns a direct interest in.

<http://www.simpsonthacher.com/FSL5CS/practiceareadescriptions/practiceareadescriptions841.asp>

\$2 billion	CCW Acquisition Corp. (Welsh, Carson, Anderson & Stowe and The Blackstone Group)	Centennial Cellular Co.	Cash and Stock LBO Recapitalization/ Merger	The Blackstone Group
-------------	--	-------------------------	---	----------------------

Citizens acquired Centennial Cellular from Dr. Leonard Tow and over time made him the Chairman and a **Blackstone General Partner**, the Vice Chairman and Chief Operating Officer.

GLOBAL CROSSING LTD. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS— (Continued)
(Dollar amounts in millions, unless otherwise
stated)

Subsequent to March 31, 2001, the Company and Citizens Communications Company ('Citizens') amended their existing Stock Purchase Agreement relating to the sale of Global Crossing's incumbent local exchange carrier ('ILEC') business, acquired as part of its acquisition of Frontier Corporation in September 1999. The amendment provided for, among other things, (i) an acceleration of the anticipated closing date for the transaction and (ii) and adjustment to the purchase price, which rejects a reduction in the amount of cash to be received by the Company at closing in connection with the transaction from \$3,650 to \$3,500, subject to adjustments concerning closing date liabilities and working capital balances, and a \$100 credit, which will be applied against future services to be rendered to Citizens over a five year period. In addition during April 2001, the Federal Communications Commission and the New York Public Service Commission approved the sale of the ILEC business to Citizens. Assuming the receipt of all remaining regulatory approvals, the transaction is expected to be completed in June 2001. An estimated loss of \$130, net of a tax benefit of \$70, from the disposal of the ILEC has been rejected in the accompanying condensed consolidated financial statements. Net assets of discontinued operations, loss on discontinued operations, and loss on disposal of discontinued operations consist of the following:

March 31, 2001

December 31, 2000

Balance Sheet Data:

Assets	\$3,024	\$4,609
Liabilities	(560)	(640)
Net Assets of discontinued operations	\$2,464	\$3,969

Three Months Ended

March 31,

2001 2000

Income Statement Data:

Revenue	\$191	\$225
Expenses	148	270
Operating income	43	(45)
Interest income, net	—	6
Other expenses	(40)	—

Provision for income taxes	(9) (12)
Loss from discontinued operations	(6) (51)
Net loss on disposal of discontinued operations, net of tax benefit of \$26	(48) —
Total loss from discontinued operations.	\$ (54) \$ (51)

Since the U.S. Trustee has not asked any material or relevant questions, the trustee could not possibly have come to the proper and most illuminating question, **“Who is Rudy J. Graf?”**

Mr. Graf is President and Chief Operating Officer of Citizens Utilities Company (NYSE: CZN - news, CZNPr - news). Before this, he was President and Chief Operating Officer of Centennial Cellular Corp., a provider of wireless and wireline telephone services in the United States and Puerto Rico.

Executive Officers of Citizens:

1. Leonard Tow. Dr. Tow is the Chairman of the Board and Chief Executive Officer of Citizens.
2. Rudy J. Graf. Mr. Graf is the President and Chief Operating Officer of Citizens.
3. Robert Braden. Mr. Braden is the Vice President, Business Development of Citizens.
4. John H. Casey, III. Mr. Casey is the Vice President and Chief Operating Officer, Communications Sector of Citizens.
5. Robert J. DeSantis. Mr. DeSantis is the Vice President and Chief Financial Officer of Citizens.
6. Michael G. Harris. Mr. Harris is the Vice President, Engineering and New Technology of Citizens.
7. F. Wayne Lafferty. Mr. Lafferty is the Vice President, Regulatory Affairs of Citizens.
8. J. Michael Love. Mr. Love is the Vice President and President, Citizens Public Services Sector.
9. L. Russell Mitten. Mr. Mitten is the Vice President, General Counsel and Assistant Secretary of Citizens.

10. Livingston E. Ross. Mr. Ross is the Vice President and Chief Accounting Officer of Citizens.

11. Scott N. Schneider. Mr. Schneider is the Executive Vice President and President, Citizens Capital Ventures.

12. David B. Sharkey. Mr. Sharkey is the Vice President and Chief Operating Officer, Electric Lightwave Sector of Citizens.

ELI is a subsidiary of Citizens (NYSE:CZNA, CZNB), a full service telecommunications company with utility assets providing natural gas, electric and water services throughout the United States. Citizens also owns Citizens Communications, the nation's fifteenth largest independent telecommunications company, has a significant interest in Centennial Cellular Corp., and an investment in Hungarian Telephone and Cable Corp. Visit Citizens on the World Wide Web at <http://www.czn.net>.

Secured from the SEC:

BLACKSTONE CAPITAL PARTNERS II MERCHANT BANKING FUND LP

* **BLACK, LEON D.** mentioned in one of the articles, Mssrs. Gary Winnick and Stephen J. Green met through Leon Black. Leon Black currently being sued under RICO by California Attorney General over the Executive Life / Milken scam.

- * COLEMAN, TIMOTHY R.
- * DODES, IVY
- * DX, HAMILTON HM
- * ENTITIES, APOLLO
- * FARMER, RICHARD T.
- * FRIEDMAN, ROBERT L.
- * GALLOGLY, MARK T.
- * GILLOOLY, MICHAEL FRANCIS BENEDICT
- * GRILLO, ANTHONY

* **HANNAN, JOHN J.** appears to be one of the RICO defendants in the California AG action on Executive Life.

- * HELM, STEVEN
- * **HOFFMAN, MICHAEL B.**
- * HUTCHINS, GLENN H.
- * KAPLAN, DAVID B.
- * KUKRAL, JOHN Z.

* **LAIDLAW, MARTIN WILLIAM** (left company that Blackstone bought and came with them. See Laidlaw bankruptcy.)

- * LAPPIN, RICHARD C.

* **LIPSON, HOWARD A.** A Defendant in United States v Blackstone Merchant Bank & Howard A. Lipson antitrust case. A case that was quietly settled by stipulation shortly before Clinton nominated Peter G. Peterson Chairman of Blackstone as the Chairman of the New York Federal Reserve Bank.

- * LIPSON, HOWARD

- * MEMBERS, FOUNDING
- * **MOSSMAN, JAMES J. GLOBAL CROSSING Ch 11 team head**
- * NEELY, WILSON S.
- * NEWMAN, ARTHUR B.
- * OFFSHORE, BLACKSTONE
- * PATEL, SANJAY
- * PATRICK, IAN THOMAS
- * PETERSON, PETER G.
- * PUGLISI, MICHAEL A.
- * PUGLISI, MICHAEL
- * PURCHASERS, APOLLO
- * SAYLAK, THOMAS J.
- * SCHWARZMAN, STEPHEN A.
- * SCOTTSDALE, HAYDEN LOOP
- * STOCKMAN, DAVID A.
- * SUITE, HADEN LOOP
- * WHITNEY, KENNETH C.

BLACKSTONE OFFSHORE CAPITAL PARTNERS II LP

- * **PETERSON, PETER G.**
- * **SCHWARZMAN, STEPHEN A.**
- * **STOCKMAN, DAVID A.**

BLACKSTONE HOLDINGS CORP

- * ATKINSON, CRAIG
- * BALDWIN, KEITH
- * BAUER, FRANK
- * BAUER, FRANK R.
- * BC, BURNABY
- * BOEHLER, KLAUS
- * CALLAHAN, JAMES
- * COGLON, RICHARD
- * COLTART, GRAHAM
- * DAHLGREN, GLEN
- * DENNIS, DEREK
- * DEWOLFE, KIRSTEN
- * DICKENSON, SEAN
- * DICKENSON, LAVINIA
- * DICKENSON, RACHEL
- * DIXON, DEBRA
- * DURAND, DAN
- * ESSEIVA, ALAIN
- * FERRIER, CORBY
- * FERRIER, KEN
- * FIRONI, DAVIE
- * FLEMING, IAN
- * FOOTE, JOAN ANNE BARRINGTON
- * FOOTE, STEPHEN FRASER BARRINGTON
- * FOOTE, BARBARA KELLY BARRINGTON
- * FOOTE, STUART RANDLE BARRINGTON
- * FRITZLER, RICHARD D.
- * GOSSE, STEVE
- * HARTMAN, MARK
- * HELLER, DEAN
- * HOULE, VIVIAN

- * HUDA, SHIRAZ ALI
- * JAGAS, FRANK
- * JAMIESON, HERB
- * KEI, THOMAS
- * KNIGHT, LORI
- * KNIGHT, LYLE
- * LEEDY, RICHARD J.
- * LOVELL, SHAWN
- * MAK, NANCY
- * MCKNIGHT, KARA
- * MCKNIGHT, LAUREN
- * MCKNIGHT, MIKE
- * MCKNIGHT, BARB
- * MCNEIL, JAMIE
- * MCNEIL, CHRIS
- * MCNEIL, RUTH
- * MEADOWS, BILL
- * MURAKAMI, KEIKO
- * NEWMAN, KENT
- * **SIEGEL, MARK**
- * SPENCER, JEFF
- * STEPHENS, SIMON
- * STUIKI, MARTIN
- * SYLVESTRE, SHAWN
- * TATLER, BILL
- * TRACY, ROBERT
- * TYLER, SHEA

BLACKSTONE CCC CAPITAL PARTNERS LP

- * AFRICK, ANDREW
- * ANDERSON, MARK S.
- * ANDERSON, DANIEL B.
- * ANDERSON, KRISTIN M.
- * ANDERSON, BRUCE K.
- * BRESNAN, WILLIAM J. **See Charter Communications cable roll-up by Paul Allen and already being discussed as bankruptcy pending.**

TCI/Bresnan/Blackstone

- * BUCKS, THOMAS E.
- * CARSON, RUSSELL L.
- * CASEY, JOHN H.
- * CHEHAYL, PETER W.
- * CHU, CHINH
- * COGAR, THOMAS R.
- * COLEMAN, TIMOTHY R.
- * DE NICOLA, ANTHONY J.
- * DONNELLY, PATRICK L.
- * FRIEDMAN, ROBERT L.
- * GALLOGLY, MARK T.
- * **GRAF, RUDY J. Tied to Citizens Comm, Centennial Comm, Electric Lightwave, ENRON - WCG in OREGON DEAL. A Partner in Blackstone Group.**

- * GUFFEY, LAWRENCE H.
- * **HOFFMAN, MICHAEL B. WCG Chapter 11 TEAM LEADER. Advisor to California governor regarding the energy scam that is now public record, while having business relations with WCG, Williams Companies,**

one of the companies fined by FERC and California for falsified two way trip accounting scams.

- * KAGAN, PAUL
- * KUKRAL, JOHN Z.
- * LIPSON, HOWARD A. - defendant is US v Blackstone antitrust.
- * LUKE, DOUGLAS S.
- * MACKESY, D. SCOTT
- * MARRERO, MICHAEL
- * MAYBERRY, PHILLIP H.
- * MCINERNEY, THOMAS E.
- * MEMBERS, FOUNDING
- * MINICUCCI, ROBERT A.
- * MOSSMAN, JAMES J. GLOBAL CROSSING TEAM LEADER
- * NAME, PETER G. PETERSON
- * NAME, STEPHEN A. SCHWARZMAN
- * NEELY, WILSON S.
- * NEWMAN, PRISCILLA A.
- * NEWMAN, ARTHUR B.
- * OFFSHORE, BCP CCC
- * OVERSEAS, APOLLO
- * OWEN, EDWARD G.
- * PARTNERSHIPS, BLACKSTONE
- * PAUL, ANDREW M.
- * PETERSON, PETER G. chairman of the New York Federal Reserve Bank,

Clinton nominee

* PUCHALA, ALFRED J.

* PUGLISI, MICHAEL - part of the team advising California Governor.

See CALPINE and number of former Blackstone on that board and verify the dates that Blackstone was advising California while working behind the scenes with Aquila and Williams Companies, two of the companies responsible for defrauding California.

- * QUEALLY, PAUL B.
- * REGISTRATION, APOLLO DEMAND
- * REILLY, TIMOTHY P.
- * ROBERT, PETER G. PETERSON
- * ROLLOVER, MICHAEL J. SMALL
- * ROWAN, MARC
- * RUPERT, RUDOLPH E.
- * SAYLAK, THOMAS J.
- * SCHWARTZ, PHYLLIS
- * SCHWARZMAN, STEPHEN A.
- * SCHWED, ROBERT A.
- * SMALL, MICHAEL J.
- * SORREL, LAWRENCE B.
- * STOCKHOLDER, SELLING
- * STOCKMAN, DAVID A.
- * VANBUREN, LAURA M.
- * VANBUREN, LAURA
- * WELSH, PATRICK J.
- * WHITNEY, KENNETH C.

UPDATE 1-Adelphia shares plunge further on sale rumors

5/29/02 11:09 AM

Source: Reuters

(Updates stock price, adds comment from Adelphia)

LOS ANGELES, May 29 (Reuters) - Shares in cable company Adelphia Communications Corp fell a second straight day on Wednesday as the company named a dissident investor to its board and a newspaper reported it was running out of cash and working quickly to sell assets

Adelphia shares, which lost 28 percent on Tuesday, were down 36.5 percent at \$1.27 in the afternoon on Nasdaq. The shares were among the five most-active on Nasdaq and are down almost 96 percent this year.

Late on Tuesday, **the company said it had agreed to add Leonard Tow, the chairman of Citizens Communications Co. and owner of 12 percent of Adelphia's common shares, to its board, along with Citizens' vice chairman, Scott Schneider.**

Tow first demanded seats on the board on May 13 under an agreement struck in 1999 after he sold his Century Communications to Adelphia for \$3.6 billion in cash and stock.

He had initially demanded three seats, but a spokesman for Tow said on Tuesday he was offered only two and accepted the offer, though he has not waived any rights he may have to other board spots.

The news of Tow's appointment came after a day in which Adelphia stock was battered in reaction to details, released late Friday, of extensive off-balance sheet deals entered into by the Rigas family, which founded Adelphia 50 years ago.

The family relinquished control of the company last week and pledged to hand over \$1 billion in assets to help Adelphia satisfy its debts.

Credit rating agency Moody's Investors Service recently warned that bankruptcy was an increasing likelihood, and the Wall Street Journal reported on Wednesday that Adelphia could run out of cash within the next 10 days unless it raises new funds or sells some assets.

The Journal also said **Adelphia is in talks with Charter Communications** Inc. to sell some assets in Los Angeles and the Southeast.

A spokeswoman for Adelphia declined to comment on the company's liquidity or on any discussions it might be having with potential suitors. She said the company is following its announced strategy to pursue buyers for some of its properties.

Charter is controlled by billionaire investor Paul Allen, and brokerage Merrill Lynch said on Tuesday he would likely have to contribute to such a bid because of Charter's extensive debt.

Reports have also said a number of outside firms, including Blackstone Group, are looking at making an investment in Adelphia. A source close to Blackstone told Reuters it looked at Adelphia a few months ago for a possible deal. The group's interest has since waned, but it has left the door open, the source said.

Copyright 2002, Reuters News Service

Blackstone is involved in Charter Communication by virtue of the TCI / Bresnan / Blackstone portion of the Charter Communications roll up.

Charter Communications is already being discussed as one of the next bankruptcy cases, and most assuredly another screwing of American investors.

Reuters Business Report

Global Crossing Files Bankruptcy Exit Plan

Monday September 16, 7:48 pm ET

By Siobhan Kennedy and Jonathan Stempel

NEW YORK (Reuters) - Global Crossing Ltd. (Other OTC:[GBLXQ.PK](#) - [News](#)) on Monday filed a reorganization plan with a Manhattan court, in a bid to emerge as soon as January from one of the largest U.S. bankruptcies ever.

The plan, if approved by Judge Robert Gerber, would enable the fiber-optic network builder to continue functioning as a shell of its former self, with current Chief Executive John Legere still at the helm.

Global Crossing ran up \$12.4 billion of debt building a fiber-optic network connecting more than 200 cities in 27 countries. It is the subject of two federal investigations and a congressional probe over how it booked revenues on network capacity swaps.

The reorganized company is valued at just \$407 million under the plan, which anticipates that Hong Kong's Hutchison Whampoa Ltd. (HKSE:[0013.HK](#) - [News](#)) and Singapore Technologies Telemedia Pte will buy a 61.5 percent stake in a new Global Crossing for \$250 million. Global Crossing announced the sale on Aug. 9.

"If you boil it all down, what's to reorganize?" said Will Brandt, a corporate restructuring expert at Development Specialists in Chicago. "What you are talking about is a 'liquidating' plan to keep the present regime in charge."

A reorganization plan sets forth terms under which a company, its creditors and the court agree on how the company will repay all or some of its debts and alter its structure so that it may function outside bankruptcy.

Gerber is set to review the plan on Oct. 21. A hearing for the bankruptcy court to confirm the reorganization plan is expected on December 5. Global Crossing said in court filings it hopes to emerge from bankruptcy on Jan. 21, 2003.

LEGERE PROTECTED

Global Crossing listed \$22.4 billion of assets when it filed for bankruptcy protection on Jan. 28, at the time the fourth largest U.S. bankruptcy ever, according to BankruptcyData.com.

The company is one of dozens of telecommunications companies that racked up billions of dollars in debt to build high-speed networks. Demand for their services fell far short of expectations, though, and banks and investors refused to lend them more money.

Under the reorganization plan, Global Crossing's banks will receive \$300 million in cash, \$175 million in new notes and 6 percent of the new Global Crossing's shares. Unsecured creditors will get 32.5 percent of the shares and another \$25 million of notes. Shareholders will get nothing.

The plan and disclosure statement exclude Legere and other current top Global Crossing executives from creditors' lawsuits tied to the reorganization.

It does not identify former Chief Executive Gary Winnick by name, but Development Specialists' Brandt said: "There's going to look at all the directors and officers, from Gary Winnick on down, and then they're going to evaluate the claims."

Legere said last month that Winnick would remain chairman of Global Crossing's board at least until the reorganization was complete. He said the Hutchison group and company creditors would then appoint a new board.

The U.S. House Energy and Commerce Committee said last Thursday it subpoenaed Winnick to testify about Global Crossing transactions that may have inflated revenue at Qwest Communications International Inc. (NYSE:[Q](#) - [News](#)), the No. 4 U.S. local phone company. Winnick promised to respond, but has yet to do so.

Winnick is also being investigated for selling hundreds of millions of dollars of Global Crossing shares just as the company's financial fortunes began to collapse.

We have been approached by a former Global Crossing executive that worked at the Winnick and board level. We have made that information available to the U.S. House committees and at least in public, on TV, none of the hard questions were asked of Mr. Winnick or Jim Gorton at their October 1, 2002 appearance

before the U.S. House Energy and Commerce Committee chaired by Rep. Billy Tauzin. The issues are being included in the RICO actions.

Our source advised us that Legere was brought in to cover up the fraud and when he demanded a handsome bonus no one would sign the check. Global Crossing had to wire transfer the funds to him.

Our source advised us that Jim Gorton sold his shares while still at Global Crossing and so it would not be registered as an insider sale, possible alert to bankruptcy coming, his departure date was falsified.

Mr. Hovel's motion can be secured at:

<http://www.geocities.com/gxstockholders/globalcrossinginfo.index.html>

http://www.cjdigital.net/cjboardtxt/bb_read.asp?page=1&id=254&table=gx

http://www.cjdigital.net/cjboardtxt/bb_read.asp?page=1&id=255&table=gx

Postponed to July 30th:

http://www.cjdigital.net/cjboardtxt/bb_read.asp?page=1&id=263&table=gx

Attachment B.1

<http://www.globalcrossing.com/xml/news/2000/july/12.xml>

GLOBAL CROSSING ANNOUNCES \$3.65 BILLION CASH SALE OF LOCAL EXCHANGE CARRIER BUSINESS TO CITIZENS COMMUNICATIONS

- Agreement streamlines Global Crossing's North American operations, and refines global focus on building and delivering services on the world's premier broadband network.
- Proceeds will be used to reduce indebtedness and to invest in network and product capabilities.
- Citizens Communications is one of the fastest growing local exchange companies in the United States. Upon completion of the purchase of the Global Crossing unit, Citizens will have more than three million access lines in more than 22 states.

Hamilton, Bermuda - July 12, 2000 - Global Crossing Ltd. (Nasdaq: GBLX) today announced an agreement to sell its incumbent local exchange carrier ("ILEC") business, acquired as part of its acquisition of Frontier Corporation last fall, to Citizens Communications (NYSE: CZN) for \$3.65 billion in cash. Global Crossing and Citizens also entered into a strategic agreement under which Global Crossing will provide long distance services to the ILEC business.

The Global Crossing ILEC, which, at year-end, comprised 1,070,000 access lines, is the 10th largest ILEC group in the United States. Approximately half of these operations are in the Rochester, New York area, with the remainder in 13 states, including notably Minnesota, Iowa, Wisconsin, and Pennsylvania. Adjusted for the long distance operations, 1999 revenues were approximately \$ 805.2 million and 1999 EBITDA was approximately \$ 386.8 million.

Citizens Communications is one of the fastest growing local exchange companies in the United States and, upon completion of the purchase of the Global Crossing unit, will have more than three million access lines in more than 22 states. The agreement is subject to both federal and state regulatory approvals which are expected to take approximately nine months to obtain.

"Global Crossing has committed itself to maximizing shareholder value," said Leo Hindery, Jr., Chief Executive Officer of Global Crossing. "This agreement delivers on that commitment to shareholders, streamlines our North American operations, and refines our global focus on building and delivering services on the world's premier broadband network. Citizens Communications is the right buyer for these assets. It serves the best interests of our customers and our communities to combine the strong results of our Frontier employees with the team at Citizens, while realizing for our shareholders the full value of our ILEC business."

Added Hindery: "The sale of our incumbent local exchange business allows us to re-deploy some of our capital into our higher growth global network and services business. We intend to use these proceeds to pay down indebtedness and invest in our network and product capabilities."

The purchase price is subject to standard adjustments concerning closing date liabilities and working capital balances. Chase Securities Inc. and Merrill Lynch & Co. assisted Global Crossing in the sale.

Citizens Communications is controlled by Blackstone.

http://www.globalcrossing.com/pdf/investors/inv_ar_1q_2001.pdf

**10-Q, 1Q 2001, SALE OF FRONTIER TO CITIZENS (BLACKSTONE
CONTROLLED)**

[IN THE FOLLOWING PAETEC COMMUNICATIONS DOCUMENTS, IT IS DISCLOSED THAT WINNICK, LOWDRICK COOK, CASEY, WALKER AND OTHERS LINED THEIR POCKETS PERSONALLY ON THE SALE OF A GLOBAL CROSSING ASSET TO A BLACKSTONE, DEARBORN PARTNERS CONTROLLED DEAL AND BACK IN BED WITH BLACKSTONE IN BANKRUPTCY, INVESTIGATION AND DUE DILIGENCE BEING SUPPRESSED.

ALSO NOTE THAT MR. CHESONIS WAS PREVIOUSLY WITH FRONTIER COMMUNICATIONS. SEE ATTACHMENT B.1 ABOVE.]

Attachment B.2

**THIS IS NOT A COMPLETE COPY OF THE
FULL FILING. THIS IS COMPRISED OF
SELECTED**

RELEVANT DATA ONLY

(Portions only): as filed with the Securities and Exchange
Commission on April 14, 2000

Registration No. 333-
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form S-1
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

PaeTec Corp.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other
jurisdiction of
incorporation or
organization)

4813
(Primary Standard
Industrial
Classification Code
Number)

16-1551094
(I.R.S. Employer
Identification Number)

290 Woodcliff Drive
Fairport, New York 14450
(716) 340-2500

(Address, including zip code, and telephone number,

including area code, of registrant's principal executive offices)

Daniel J. Venuti, Esq.
Executive Vice President and General Counsel
PaeTec Corp.
290 Woodcliff Drive
Fairport, New York 14450
(716) 340-2500

including area code, of agent for service)

Copies to:

Richard J. Parrino, Esq.
Charles E. Sieving, Esq.
Hogan & Hartson L.L.P.
8300 Greensboro Drive
McLean, Virginia 22102
(703) 610-6100

Robert Evans III, Esq.
Shearman & Sterling
599 Lexington Avenue
New York, New York 10022
(212) 848-4000

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462© under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ☐

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Proposed maximum aggregate offering price(1)	Amount of registration fee
Class A Common Stock, \$.01 par value.....	\$100,000,000	\$26,400

(1) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said

Section 8(a), may determine.

Exhibit 10.10.2

FIRST AMENDMENT TO STOCK RIGHTS AGREEMENT

This is the First Amendment to Stock Rights Agreement (the "Amendment"), dated August 13, 1998, between EDWARD J. BUTLER, JR. ("Shareholder"), PAETEC CORP., a Delaware corporation with its principal place of business at 290 Woodcliff Drive, Fairport, New York 14450 (the "Company"), PAETEC COMMUNICATIONS, INC., a Delaware corporation and wholly-owned subsidiary of the Company with its principal place of business at 290 Woodcliff Drive, Fairport, New York 14450 ("Subsidiary"), and ARUNAS A. CHESONIS ("Founder").

RECITALS

- A. Shareholder holds 250,000 shares of Class A common stock of the Company, subject to certain restrictions contained in a Stock Rights Agreement, dated July 17, 1998, among the parties (the "Agreement").
- B. The Company has now offered to issue to Shareholder 15,000 shares of Class B common stock at a purchase price of \$.833 per share, subject to certain restrictions.
- C. The Company, Subsidiary, Shareholder, and Founder enter into this Amendment for the purpose of confirming Shareholder's equity interest in the Class B common stock of the Company and outlining the rights of Shareholder and the restrictions imposed by the Company with respect to the Class B common stock to be held by Shareholder.

TERMS

NOW, THEREFORE, in consideration of the following mutual promises, the parties agree as follows:

- 1. Issuance of Shares. The Company confirms its offer to issue 15,000 shares of Class B common stock (the "Class B Shares") to Shareholder at a price of \$.833 per share, payable in full upon issuance of the Class B Shares. A stock certificate evidencing the Class B Shares shall be issued in the name of Shareholder upon receipt of this executed Amendment and payment in full of the purchase price.
- 2. Incorporation of Agreement by Reference. All of the provisions of the Agreement shall apply to the Class B Shares issued to Shareholder pursuant to this Amendment, except to the extent that a provision of this Amendment expressly supersedes any provision of the Agreement. Additionally, to the extent that any provision of this

Amendment contradicts any provision contained in the Agreement with respect to the Shares (as defined in the Agreement), the provision of this Amendment shall control.

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 +The information in this prospectus is not complete and may
 be changed. We may + +not sell these securities until the registration statement
 filed with the + +Securities and Exchange Commission is effective. This prospectus is
 not an + +offer to sell these securities and it is not soliciting an offer to buy these +
 +securities in any state where the offer or sale is not permitted. +
 +++++
 +++++

Subject to Completion Preliminary Prospectus dated April 14, 2000

PROSPECTUS

Shares

[LOGO]

PaeTec Corp.

Class A Common Stock

This is PaeTec's initial public offering of Class A common stock. PaeTec is selling all of the shares of Class A common stock. The U.S. underwriters are offering shares in the U.S. and Canada and the international managers are offering shares outside the U.S. and Canada.

We expect the public offering price to be between \$ and \$ per share. Currently, no public market exists for the shares. After pricing of the offerings, we expect that the shares will be quoted on the Nasdaq National Market under the symbol "PAET."

We have two types of common stock: Class A common stock and Class B common stock. Holders of each class generally have the same rights, except for differences in voting rights. Holders of our Class A common stock have one vote per share, while holders of our Class B common stock have 20 votes per share. Immediately following the offerings, without giving effect to any exercise of the underwriters' over-allotment options, shares of our outstanding Class B common stock will represent approximately % of the combined voting power of our common stock.

Investing in the Class A common stock involves risks that are described in the "Risk Factors" section beginning on page 7 of this prospectus.

	Per Share	Total
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Public offering price.....	\$	\$
Underwriting discount.....	\$	\$
Proceeds, before expenses, to PaeTec.....	\$	\$

The U.S. underwriters may also purchase up to an additional shares of Class A common stock from PaeTec at the initial public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover over-allotments. The international managers may similarly purchase up to an additional shares of Class A common stock from PaeTec.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about , 2000.

Merrill Lynch & Co.
Inc.

Bear, Stearns & Co.

The date of this prospectus is , 2000.

TABLE OF CONTENTS

Page

Summary.....	1
Risk Factors.....	7
Use of Proceeds.....	19
Dividend Policy.....	19
Capitalization.....	20
Dilution.....	21
Selected Consolidated Financial and Operating Data.....	22
Management's Discussion and Analysis of Financial Condition and Results of Operations.....	24
Business.....	30
Regulation of Our Services.....	50
Management.....	56
Transactions Involving Related Parties.....	66
Security Ownership of Certain Beneficial Owners and Management.....	71
Description of Capital Stock.....	74
Shares Eligible for Future Sale.....	79
U.S. Tax Consequences to Non-U.S. Holders.....	81
Underwriting.....	84
Legal Matters.....	88
Experts.....	88
Where You Can Find Additional Information.....	88
Index to Consolidated Financial Statements and Unaudited Pro Forma Financial Information.....	F-1

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On September 9, 1999, we completed our acquisition of Campuslink by merger. In this transaction, we assumed a total of \$7.3 million of Campuslink indebtedness owed to four of Campuslink's former principal stockholders. After the merger was completed, we repaid \$5.2 million of this indebtedness and issued notes to the former stockholders representing the remaining \$2.1 million of the indebtedness. We repaid the outstanding balances on these notes, plus all accrued interest, on March 2, 2000.

In connection with our acquisition of Campuslink, we assumed three term notes in the total principal amount of approximately \$5.6 million. Campuslink used these notes to finance the purchase and installation of telecommunication equipment at institutions with which Campuslink has exclusive service agreements. In November 1999, we repaid the outstanding balance on one of these notes. On December 31, 1999, the outstanding balances on the remaining two notes totaled \$4.7 million.

On February 4, 2000, we sold 134,000 shares of our Series A convertible preferred stock to institutional investors led by Madison Dearborn Partners and The Blackstone Group for a total purchase price of \$134 million. These shares are convertible at the holder's option into 17,866,666 shares of our Class A common stock at a price of \$7.50 per share, subject to adjustment for dilutive issuances of our common stock.

27

33

Network Access Layer

We have developed, installed and continue to invest in an advanced network that facilitates the delivery of our network and applications services offerings. We currently connect the majority of our customers to our network through leased T1 digital transmission links. However, we will increasingly offer our customers a variety of other access methods, including DSL technologies, wireless connections and T1 and T3 digital transmission links. When appropriate to support our growth, we negotiate agreements with specified volumes and contract durations to reduce costs.

We currently obtain most of our T1 or T3 transmission links from regional incumbent local exchange carriers or other providers such as AT&T, MCI Worldcom and Time Warner Telecom Inc. Our strategy is to form relationships with multiple providers of fiber capacity for inter-city and intra-city transport to improve reliability through alternate network paths and to lower our costs through competitive procurement. Our membership in the Associated Communications Companies of America, an 11-member buying consortium, provides us with additional opportunities to benefit from competitive pricing from multiple suppliers. Members of this consortium include Qwest Communications International, Inc., Broadwing, Inc., McLeodUSA Incorporated and ITC/DeltaCom, Inc.

Alternative access methods such as DSL and wireless services offer attractive pricing and are growing rapidly in accessibility. We seek agreements with DSL providers that will provide us with multiple sources for DSL connectivity in each of our current and prospective markets. In August 1999, we signed such an agreement with Network

Access Solutions, Inc., a DSL provider with an initial focus on markets in the Northeast U.S.

To provide voice and data services, we currently use multi-service digital subscriber lines, or MSDSL, from Network Access Solutions, as a lower- cost alternative to leased T1 transmission links. We also will use symmetrical digital subscriber lines, or SDSL, to provide Internet access at competitive costs. We are currently evaluating technologies to allow voice and video services to be provided over SDSL lines. In selected target markets, we will smart-build our own DSL collocations where we believe this strategy is justified by a known customer base and favorable competitive conditions.

We plan to use wireless access methods, primarily for Internet access, as a low-cost alternative to T1 transmission links that can be provisioned quickly. We have formed a relationship with CyberTech Wireless, Inc., a fixed wireless carrier based in Rochester, New York, to provide wireless services in upstate New York markets, and anticipate expanding the relationship into additional cities in 2000 and 2001. We will evaluate additional relationships of a similar nature as part of our plan to gain wireless access alternatives in all of our current and prospective markets.

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Wholesale Services

In addition to the services we provide to end-users, we offer wholesale voice, data and enhanced services to switch-based and switchless resellers, cellular, interactive voice response and VoIP service providers, CLECs, Web services providers and ISPs. We offer or plan to offer the following wholesale services:

- . domestic and international termination services;
- . dedicated voice and data private line services;
- . origination services for CLECs and other carriers;
- . design of local resale service for CLECs and other carriers;
- . local access to ISPs by direct inward dial or primary rate interface connectivity;

. broadband Internet connectivity for ISPs and Web services applications;

. DSL services;

. network optimization management software for CLECs and interexchange carriers; and

. collocation services. We provide our regional customers with the flexibility to extend their coverage areas without extending their operational centers or investing in additional personnel through the use of our centralized switching centers. We believe that this has allowed us to become the primary wholesale vendor for several fast-growing Internet and Web-based service providers.

Sales and Customer Service

Our goal is to be the nation's most customer-oriented network-based provider of communications services. We target medium-sized and large businesses, institutions and other intensive users of communications services that we believe can benefit from our value-added services. For each prospective customer, we conduct a

profitability and pricing analysis for use in preparing proposals. This procedure ensures that we maintain our focus on obtaining customers that meet our internal profitability standards, while illustrating the potential benefits that a customer may realize by using a broader bundle of our services.

Direct Sales. As of March 1, 2000, we conducted our direct marketing activities through 235 employee sales representatives, of whom 17 were sales managers. As of the same date, we maintained a total of 23 sales offices in 12 states. These sales offices are not only used to target businesses and other customers operating within our markets, but also to solicit and service national accounts and the private student housing accounts managed by our Campuslink business unit.

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We received approximately 21% of our 1999 revenue from our sale of services to GMH Associates, Inc., one of the customers we serve as a result of our acquisition of Campuslink. GMH Associates is the largest provider of student housing in the country, with 15 locations serving approximately 16,000 students as of March 20, 2000. We expect that sales generated by this customer in 2000 will represent less than 10% of our overall revenue in 2000 as we continue to enter into new markets and expand our business. No other individual customer accounted for more than 10% of our revenue in fiscal 1998 or 1999.

Our Network

Deployment. We are deploying our network in the three phases. Phase one of our plan represented our initial market entry strategy and enabled us to begin serving customers and generating revenue. We completed phase one at the end of 1999 with the installation and activation of our initial group of eight Lucent 5ESS AnyMedia switches. During phase one, we rolled out service in eight metropolitan areas encompassing 25 markets in Albany, Boston, Los Angeles, Miami, New York, Philadelphia, Rochester and the Washington, D.C. area.

We are currently implementing phase two of our deployment, which we expect will be completed by the end of 2001. In this phase, we will focus on broadening the range of our data and applications offerings in our current markets, entering additional markets and expanding our sales channels. We will expand our network and begin the migration from circuit-switching technology to a packet-switching technology able to transport the growing convergence of voice, data and video traffic. As part of this expansion process, we have already installed three high-capacity Cisco routers and plan to install five additional Cisco routers by mid-2000. During phase two, we expect to expand our offerings to a minimum of ten additional markets, including Atlanta, Chicago, Cleveland, Dallas, Detroit, Orlando, Pittsburgh, San Francisco, San Jose and Tampa.

We expect to initiate phase three of our deployment in 2002. Our objectives for this phase will include completion of our transition to a packet-switching network, completion of our national network and expansion into additional markets to complete our planned nationwide footprint.

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===== Acquisitions

To supplement our internal growth, we pursue an acquisition strategy that will allow us to increase penetration of our current markets and expand into new markets. We seek acquisition candidates that will enhance our ability to sell and deliver value-added services. Accordingly, we focus our acquisition efforts on interconnect companies that sell, install and maintain data and voice networks for customers, enhanced service providers and local and long distance providers. We believe that our acquisition of these types of businesses will bring experienced back office, technical and customer service personnel to our company, enhance our suite of service offerings and increase our customer base.

We have completed five acquisitions since our inception. As a result of our acquisition of Campuslink on September 9, 1999, we significantly increased our customer base, our force of skilled technical and sales employees and our suite of data service offerings. Organized in November 1993, Campuslink provides integrated telephone, video, data and other communications services primarily to colleges and universities and the privatized student housing market. Campuslink currently provides these services under multi-year contracts to approximately 35 colleges and universities and approximately 20 privatized housing complexes with a combined resident population of over 50,000. These projects include a ten-year service agreement with The United States Military Academy at West Point and service agreements with GMH Associates, the largest provider of privatized student housing in the country, with 15 locations serving approximately 16,000 students as of March 20, 2000.

We believe our acquisition of Campuslink has given us the ability to:

- . accelerate our penetration of selected markets by taking advantage of the significant geographic overlap between Campuslink's customer base and our existing and planned switches and target markets;
- . provide additional network services at lower cost by moving Campuslink's local resale traffic to our facilities-based network;
- . provide customers with a full range of communications solutions by adding Campuslink's customer premise equipment solutions to our network-oriented solutions;
- . use the high bandwidth of Campuslink dedicated circuits to offer additional data and e-commerce services to over 24,000 Campuslink customers; and
- . build upon Campuslink's significant back office capabilities and established customer service organization.

We expanded our operations in the southeast United States through our acquisition in November 1998 of the customer base of Standard Communications, Inc., a long distance reseller headquartered in Tarpon Springs, Florida and doing business as SCI

Long Distance Telephone, and our acquisition in August 1999 of East Florida Communications, Inc., a local and long distance reseller and equipment provider headquartered in Daytona Beach, Florida. In June 1999, we enhanced our software engineering capabilities through our acquisition of the professional staff of Telperion Development Corporation, an Internet- intranet consulting company headquartered in Newark, New York.

On April 13, 2000, we acquired Pinnacle Software Corporation, a professional services and software company headquartered in Pittsford, New York. Our acquisition of Pinnacle enables us to provide applications software systems to customers representing a total of nearly one million subscribers in the higher education, Fortune 1000, medical and state and local government markets. This acquisition allows us to offer software and service solutions aimed at helping organizations of all sizes manage large voice, data and video networks with integrated services that include customer billing, inventory control, asset management, help desk management, cable management and switch provisioning. Pinnacle had \$3.7 million in revenues in 1999 and employed over 30 information technology professionals as of March 20, 2000. In consideration for our acquisition of Pinnacle, we paid \$6 million in cash and issued 500,000 shares of our Class A common stock. In the acquisition agreement, we agreed that, if our Class A common stock does not reach a specified value during the 18-month valuation period beginning on April 13, 2000, we will be required to adjust the consideration we paid to the former Pinnacle stockholders in connection with the acquisition. Generally, we have the option to pay any adjusted consideration in cash, in additional shares of Class A common stock, or in a combination of cash and additional shares.

We also have recently entered into a binding agreement to acquire the assets of Data Voice Networks, Inc., which designs and implements data networks for small to medium-sized businesses and distributes data products for Cisco Systems and other vendors. Data Voice Networks, which is headquartered near Philadelphia, Pennsylvania, had \$7.2 million in revenues in 1999 and had over 20 employees as of March 20, 2000. We expect to complete our acquisition of Data Voice Networks in May 2000.

MANAGEMENT

Directors and Executive Officers

The table below shows information about our directors and executive officers:

Name ----	Age ---	Position -----
Arunas A. Chesonis.....	37	Chairman of the Board, President and Chief Executive Officer
John P. Baron.....	39	President, Northern and Western Regions
Bradford M. Bono.....	31	President, Eastern and Southern Regions, and Director
Edward J. Butler, Jr....	39	President, Wholesale Markets Group
Joseph D. Ambersley.....	50	Executive Vice President, Mergers and Acquisitions
Richard E. Ottalagana...	56	Executive Vice President and Treasurer
Richard J. Padulo.....	55	Executive Vice President, Engineering and Operations
Daniel J. Venuti.....	40	Executive Vice President, Secretary and General Counsel
Timothy J. Bancroft.....	50	Vice President, Finance
Joseph J. Golden.....	39	President, Data Services
Robert I. Schwartz.....	52	President, Campuslink Services
James A. Kofalt.....	57	Director
James H. Kirby.....	32	Director

Arunas A. Chesonis has served as our Chairman of the Board, President and Chief Executive Officer since our inception in May 1998. Mr. Chesonis became President of ACC Corp., a competitive local exchange carrier and the parent company for all ACC-owned operations in the United States, Canada, Germany and the United Kingdom, in February 1994 and was elected to its Board of Directors in October 1994. Mr. Chesonis was also President and Chief Operating Officer for ACC Global Corp., which coordinated all purchasing and network optimization for international terminations and fiber capacity for ACC worldwide. Mr. Chesonis joined ACC in May 1987 as Vice President of Operations for the U.S. business unit and was named President of ACC Long Distance Corp. in January 1989. Mr. Chesonis was also President of ACC's Canadian operations and Managing Director of ACC's U.K. enterprise. Before he joined ACC, Mr. Chesonis held several positions within Rochester Telephone Corporation, now known as Frontier Communications Corporation, a subsidiary of Global Crossing Ltd. Mr. Chesonis has served on the Board of Directors of CyberTech Wireless, Inc., a fixed wireless carrier, since February 2000. Mr. Chesonis holds a B.S. degree in Civil Engineering from Massachusetts Institute of Technology and an M.B.A. degree from the University of Rochester.

John P. Baron has served as President, Northern Region, of our subsidiary, PaeTec Communications, Inc., and as one of our Executive Vice Presidents since June 1998. Mr. Baron also was appointed President, Western Region, of PaeTec Communications in April 2000. From September 1995 until he joined PaeTec, Mr. Baron served as Vice President of Sales and Customer Service for the U.S. operations of ACC Long Distance Corp., or ACC TeleCom. During his employment with ACC TeleCom, Mr. Baron also managed Account Development, Customer Service, Sales Support, Information Processing, University Sales and Service, and Marketing. From September 1992 to September 1995, Mr. Baron served as President of ETI Technical College, a four-year engineering college in Cleveland, Ohio. Mr. Baron holds a B.S. degree in Neuroscience from the University of Rochester and an M.B.A. degree from Syracuse University.

Bradford M. Bono has served as President, Eastern Region, of PaeTec Communications and as one of our Executive Vice Presidents and directors since June 1998. Mr. Bono also was appointed President, Southern Region, of PaeTec Communications in April 2000. From August 1997 until he joined PaeTec, Mr. Bono served as Vice President of Alternate Channel Sales for ACC TeleCom. In 1991, Mr. Bono co-founded Vista International Communications Inc., a regional interexchange carrier, where he served as Executive Vice President and Chief Operating Officer and as director from 1991 until 1997, when Vista was acquired by ACC TeleCom. Mr. Bono holds a B.A. degree in Political Science from the University of Delaware.

Edward J. Butler, Jr. has served as President, Wholesale Markets Group, of PaeTec Communications and as one of our Executive Vice Presidents since July 1998. From August 1988 to July 1998, Mr. Butler served in several positions with ACC TeleCom. From 1995 to 1998, Mr. Butler served as Director of Carrier Services for ACC TeleCom. Before he joined ACC TeleCom's Carrier Services team, Mr. Butler spent seven years in both the University Services and Commercial Markets sales

management departments at ACC TeleCom. Mr. Butler holds a B.S. degree in Communications from the State University of New York at Buffalo.

Joseph D. Ambersley has served as one of our Executive Vice Presidents since June 1998 and was appointed Executive Vice President, Mergers and Acquisitions, of PaeTec Communications in April 2000. Mr. Ambersley also served as President, Southern Region, of PaeTec Communications between June 1998 and April 2000. For seven years before joining PaeTec, Mr. Ambersley served as Vice President of Carrier Sales at National Telecommunications of Florida, a regional interexchange carrier. Before joining National Telecommunications of Florida, Mr. Ambersley was Vice President of Carrier Sales for ATC/Microtel, a national fiber optic provider and interexchange carrier. Between 1995 and 1998, Mr. Ambersley was also a member of the Board of Directors of America's Carriers Telecommunications Association, a national trade association representing interexchange carriers. He has served as the Secretary and Treasurer of the Association of Communications Companies of America since 1995. Mr. Ambersley holds a B.S. degree from Florida State University and an M.Ed. degree from Rollins College.

Richard E. Ottalagana has served as our Executive Vice President and Treasurer since June 1998. From 1993 until April 1998, Mr. Ottalagana served as Vice President and General Manager of ACC National TeleCom Corp., where he had responsibility for the start-up of ACC's competitive local exchange carrier operations. During the 20 years before he joined ACC, Mr. Ottalagana held managerial positions with Rochester Telephone Corporation, now known as Frontier Communications Corporation, in several areas, including sales, operations, engineering, labor relations, operator services, regulatory, accounting and finance. For over ten years, Mr. Ottalagana also served as Chairman of the Board of the Summit Federal Credit Union. Mr. Ottalagana holds a B.S. degree in Accounting from Rider University.

Richard J. Padulo has served as Executive Vice President, Engineering and Operations, of PaeTec Communications and as one of our Executive Vice Presidents since joining PaeTec in June 1998. From 1992 until he joined PaeTec, Mr. Padulo served as Director of Engineering and Operations for ACC TeleCom. In 1994, Mr. Padulo participated in the start up of ACC's local telephone subsidiary, ACC National TeleCom Corp., where he assisted with business planning and assumed the position of Director of Engineering and Operations.

Daniel J. Venuti has served as our Executive Vice President, Secretary and General Counsel since June 1998. From March 1994 until he joined PaeTec, Mr. Venuti served as Vice President and General Counsel for ACC TeleCom. From September 1984 until February 1994, Mr. Venuti practiced law with Bond, Schoeneck & King, LLP. Mr. Venuti holds a B.A. degree in Political Science from Syracuse University and a J.D. degree from the State University of New York at Buffalo School of Law.

Timothy J. Bancroft has served as our Vice President, Finance, since June 1998. From June 1993 to June 1998, Mr. Bancroft served as the Vice President- Finance for a subsidiary of Citizens Communications, Inc., a company engaged in telecommunications and utilities businesses. From 1971 until June 1993, Mr. Bancroft held several financial positions with Rochester Telephone Corporation, now known as Frontier Communications Corporation. Mr. Bancroft holds a B.S. degree in Business Administration from the Rochester Institute of Technology.

Joseph J. Golden has served as President, Data Services, of PaeTec Communications since September 1999. From May 1997 until he joined PaeTec, Mr. Golden served as Chief Executive Officer and director of Campuslink Communications Systems, Inc. From January 1995 to May 1997, Mr. Golden served as Vice President of the Diversified Industries Division of Electronic Data Systems, Inc., a large outsourcing and systems integration company. From 1982 to 1995, Mr. Golden held positions at Electronic Data Systems of

57

increasing responsibility in systems engineering, customer account management and sales and operations management. Mr. Golden holds a B.A. degree in Economics from Middlebury College.

Robert I. Schwartz has served as President, Campuslink Services, of PaeTec Communications since September 1999. Before he joined PaeTec, Mr. Schwartz served as a director and President of Campuslink, which he founded in November 1993. Mr. Schwartz holds a B.S. degree in Engineering from Cornell University and an M.B.A. degree from Hofstra University.

James A. Kofalt has served on our board of directors since September 1999. From 1995 until he joined our board of directors, Mr. Kofalt served as the Chairman of the Board of Directors of Campuslink. Mr. Kofalt also serves as the Chairman of the Board of Directors of Correctnet Global Information Solutions, Inc., Chairman of Alliance Cabletel Holdings, L.P., and as a director of Classic Communications, Inc. He also served from 1995 to 1996 as Chairman of the Board of Directors of Optel, Inc., a provider of private cable television and telephone services. From 1976 to 1994, Mr. Kofalt held various management positions with Cablevision Systems Corporation, a provider of cable television services, including President, Chief Operating Officer and director. Mr. Kofalt received his B.S. degree from The United States Military Academy at West Point.

James H. Kirby has served on our board of directors since February 2000. Mr. Kirby is a director of Madison Dearborn Partners, Inc., a Chicago-based private investment firm, where he specializes in investing in companies in the communications industry. Before joining Madison Dearborn Partners in 1996, Mr. Kirby worked in investment banking and private equity investing at Lazard Freres & Co. LLC and The Beacon Group LLC. He presently serves on the boards of directors of CompleTel Europe N.V., a publicly traded CLEC active in France and Germany, and several private companies, including Madison River Telephone Company LLC, IPlan LLC, GigaRed LLC, Orblynx, Inc., Reiman Holding Company, LLC and Wireless One Network, L.P. Mr. Kirby holds an A.B. degree from Princeton University and an M.B.A. degree from the Harvard Graduate School of Business Administration.

Lawrence H. Guffey has served on our board of directors since February 2000. He is a Senior Managing Director of The Blackstone Group, where he works in Blackstone's Principal Investment Group, with primary responsibility for the management of the investment activities of Blackstone Communications Partners I L.P. Mr. Guffey also currently serves as a director of Centennial Communications Corp., FiberNet, L.L.C., and Enterprise Software, Inc. Before joining Blackstone in 1991, Mr. Guffey was a financial analyst with Trammel Crow Ventures, a real estate investing firm. Mr. Guffey holds a B.A. degree from Rice University.

Executive officers serve at the discretion of our board of directors. For information concerning legal proceedings involving some of our executive officers and directors, see "Business—Legal Proceedings."

Membership of the Board of Directors

General. Our bylaws provide that our board of directors will consist of at least three members. Directors are elected at the annual meeting of stockholders. Effective upon completion of our initial public offering, the board of directors will be divided into three classes serving staggered three- year terms. The initial terms of the three classes will expire in 2001, 2002 and 2003, respectively. Upon the expiration of the initial term of each class, the nominees for that class will be elected for a term of three years to succeed the directors whose terms of office expire.

Under our certificate of incorporation, holders of our Class B common stock have the exclusive right to elect three members to the board of directors. The holders of our Class A common stock and our Class B common stock vote together as one class for the election of all other members of board of directors.

All of the holders of our Class B common stock have granted to Arunas A. Chesonis proxies authorizing Mr. Chesonis to vote their shares of Class B common stock in his sole and absolute discretion. As a result of the superior voting rights of our Class B common stock and the authority conferred on Mr. Chesonis

58

by these proxies, Mr. Chesonis has the ability to elect at least a majority of our board of directors, subject to the provisions of the voting agreement described below. See "Description of Capital Stock—Common Stock" for more information about these proxies.

Membership Rights of Bradford M. Bono. In a stock rights agreement we entered into with Bradford M. Bono, we agreed that, as long as Mr. Bono is employed by us and wishes to serve as a director, we would take all actions within our control which are necessary to cause his election to our board of directors. Mr. Bono currently serves as a director and has informed us that he wishes to continue as a director following completion of the offerings.

Voting Agreement. In connection with our sale of the Series A preferred stock to institutional investors in February 2000, we entered into a voting agreement containing board membership provisions with the following principal stockholders:

- . the purchasers of the Series A preferred stock;
- . the former stockholders of Campuslink;
- . Arunas A. Chesonis;
- . Christopher E. Edgecomb; and
- . Jeffrey P. Sudikoff.

Some of the board membership provisions will remain in effect after completion of the offerings. These provisions obligate us to take all actions within our control which are necessary or desirable for the election of the following persons to our board of directors:

- . at least one designee of the Campuslink stockholders;

. at least one designee of Madison Dearborn Capital Partners III, L.P., Madison Dearborn Special Equity III, L.P. and Special Advisors Fund I, LLC, which, together with the permitted transferees of their PaeTec securities, we refer to as the "Madison Dearborn investors";

. at least one designee of Blackstone CCC Capital Partners L.P., Blackstone CCC Offshore Capital Partners L.P. and Blackstone Family Investment Partnership III L.P., which, together with the permitted transferees of their PaeTec securities, we refer to as the "Blackstone investors"; and

. any other persons nominated by Mr. Chesonis for election to the board of directors.

The Campuslink stockholders may be entitled to designate more than one person for election as a director based on the size of the board of directors and the percentage of our outstanding common stock they hold. In addition, the Madison Dearborn investors will be entitled to designate a second member to the board of directors if the number of directors constituting our entire board of directors is increased to nine or more and the Madison Dearborn investors continue to own at least 50% of the number of shares of common stock issuable upon the conversion of the Series A preferred stock they originally purchased, so long as those shares constitute 5% or more of our outstanding common stock.

The foregoing board membership rights will terminate in the case of:

. the Campuslink stockholders, when they cease to own beneficially at least 5% of our outstanding common stock;

. the Madison Dearborn investors, when they cease to own beneficially at least (a) one-third of the number of shares of common stock issuable upon conversion of the Series A preferred stock they originally purchased and (b) 5% of our outstanding common stock;

59

. the Blackstone investors, when they cease to own beneficially at least (a) one-third of the number of shares of common stock issuable upon conversion of the Series A preferred stock they originally purchased and (b) 5% of our outstanding common stock; and

. Mr. Chesonis, when he no longer serves as at least one of the Chairman of the Board or Chief Executive Officer of PaeTec or ceases to own beneficially, or otherwise ceases to have the right to vote, any shares of our Class B common stock.

All of the stockholders who are parties to the voting agreement have agreed to vote their shares of common stock for each of the foregoing designees.

Under the voting agreement, one director representative of the Madison Dearborn investors and one director representative of the Blackstone investors will be entitled to serve on any committee of our board of directors.

Immediately following completion of the offerings, Mr. Kofalt will continue to serve on the board of directors as the designee of the Campuslink stockholders, Mr. Kirby

will continue to serve as the designee of the Madison Dearborn investors and Mr. Guffey will continue to serve as the designee of the Blackstone investors.

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TRANSACTIONS INVOLVING RELATED PARTIES

Since our inception in May 1998, we and our subsidiaries have engaged in transactions with our directors, director nominees and executive officers, with owners of more than 5% of a class of our common stock, and with companies of which these persons serve as executive officers or in which they beneficially own over 10% of the equity interests.

Sales of Common Stock to Executive Officers

The table below shows the number of shares purchased, and the purchase price paid, by each of our current executive officers for common stock issued by us in 1998, 1999 and 2000:

B	Shares of Class	
	A	Shares of Class
Name	Common Stock/ Aggregate Purchase Price	Common Stock/ Aggregate Purchase Price
----	-----	-----

Arunas A. Chesonis.....	43,620/\$218,100	
2,500,000/\$2,000,000		
Joseph D. Ambersley.....	280,000/\$175,000	
30,000/\$25,000		
John P. Baron.....	290,000/\$200,000	
30,000/\$25,000		
Bradford M. Bono.....	530,000/\$275,000	
30,000/\$25,000		
Edward J. Butler, Jr.....	269,000/\$157,500	
15,000/\$12,500		
Richard E. Ottalagana.....	280,000/\$175,000	
30,000/\$25,000		
Richard J. Padulo.....	265,000/\$137,500	
15,000/\$12,500		
Daniel J. Venuti.....	280,000/\$175,000	
30,000/\$25,000		
Timothy J. Bancroft.....	32,953/\$116,633	
5,000/\$4,165		
Joseph J. Golden.....	44,418/\$111,045	
0/\$0		
Robert I. Schwartz.....	53,896/\$199,995	
0/\$0		

Under our stock rights agreements with some of these officers, we have granted the officers piggyback registration rights with respect to some or all of their shares. For information about these registration rights, see "Management—Stock Rights Agreements."

Transactions With Preferred Stock Investors

In February 2000, we sold 134,000 shares of a new issue of preferred stock, designated our Series A Convertible Preferred Stock, at a purchase price of \$1,000 per share, or \$134 million in the aggregate, to institutional investors. We refer to these investors, together with the permitted transferees of their PaeTec securities, as the "preferred stock investors." The preferred stock investors include the Madison Dearborn investors, consisting initially of Madison Dearborn Capital Partners III, L.P., Madison Dearborn Special Equity III, L.P. and Special Advisors Fund I, LLC, and the Blackstone investors, consisting initially of Blackstone CCC Capital Partners L.P., Blackstone CCC Offshore Capital Partners L.P. and Blackstone Family Investment Partnership III L.P.

Our certificate of incorporation provides that we may require the holders of the Series A preferred stock to convert all, and not less than all, of their preferred stock into shares of Class A common stock upon the closing of an initial public offering of our Class A common stock that meets specified financial criteria. Because the offerings will satisfy these criteria, we will require conversion of all of the Series A preferred stock into Class A common stock upon completion of the offerings. We expect to issue the preferred stock investors a total of 17,866,666 shares of Class A common stock in connection with this conversion.

Investor Rights. In the preferred stock investment agreement, we agreed that we would not take specified actions relating to our business, our capital stock and other aspects of our operations without the prior

approval of the holders of a majority of our shares held by the Madison Dearborn investors and the holders of a majority of our shares held by the Blackstone investors. We also granted the preferred stock investors a variety of rights relating to their ownership of our capital stock, including preemptive rights to subscribe to additional issuances of our capital stock and other securities and the right to require us to repurchase their PaeTec securities in specified circumstances. The approval rights of the preferred stock investors and most of these other rights relating to their ownership of PaeTec capital stock will terminate upon the completion of the offerings. Following the offerings, for so long as any group of preferred stock investors continues to hold PaeTec common stock received upon conversion of the Series A preferred stock or related securities with an original purchase price of at least \$10 million under the investment agreement, those investors will be entitled to visit and inspect our properties, examine our corporate and financial records and discuss our operations and affairs with our directors, officers and independent public accountants.

Voting Agreement. At the time of the investment, we and some of our principal stockholders, including Arunas A. Chesonis and the Campuslink stockholders, entered into a voting agreement with the preferred stock investors. In this agreement, we agreed to take all actions within our control necessary or desirable for the election of designees of the Campuslink stockholders, the Madison Dearborn investors, the Blackstone investors and Mr. Chesonis to our board of directors, and all of the stockholders who are parties to the agreement agreed to vote their PaeTec shares for each of these designees. Mr. James H. Kirby, the designee of the Madison Dearborn investors, and Mr. Lawrence H. Guffey, the designee of the Blackstone

investors, were elected to our board of directors under these board membership provisions. For information about the operation of these provisions after completion of the offerings, see "Management—Membership of the Board of Directors."

Registration Rights Agreement. In a registration rights agreement we entered into at the time of the investment, we granted the preferred stock investors the following registration rights with respect to their PaeTec common stock:

- . we granted the **Madison Dearborn** investors and the **Blackstone** investors demand registration rights which entitle them to require us to register the sale of their shares under the Securities Act on up to two occasions, in the case of the **Madison Dearborn** Investors, and on one occasion, in the case of the **Blackstone** investors, on a registration statement on SEC Form S-1, and on an unlimited number of occasions on a registration statement on SEC Form S-2 or S-3;

- . we granted the preferred stock investors shelf registration rights which entitle them, at any time between the first anniversary and the third anniversary of the completion of the offerings, to require us to register the sale of their shares under the Securities Act on a continuous or delayed basis; and

- . we granted the preferred stock investors piggyback registration rights which entitle them to require us to include their shares in a registration of our common stock or other securities for sale by us or by our other security holders.

The foregoing registration rights extend to all common stock the preferred stock investors will acquire upon the conversion of the Series A preferred stock and all common stock they may acquire in any other manner and at any other time, subject to the following limitations:

- . neither the **Madison Dearborn** investors nor the **Blackstone** investors may exercise their demand or shelf registration rights if an offering of our common stock by such group of stockholders would have a reasonably anticipated aggregate gross offering price of less than \$20 million if, at such time, those stockholders are free to sell their common stock under Rule 144 of the Securities Act without limitation as to volume or manner of sale restrictions; or

- . subject to the foregoing limitation, no preferred stock investor may exercise any registration rights with respect to our common stock if we issue certificates representing such

common stock without any legend restricting the transfer thereof under the Securities Act or state securities laws.

These registration rights are subject to other conditions, including notice requirements, timing restrictions and volume limitations which may be imposed by the underwriters of an offering. We generally are required to bear the expense of all these registrations, except for underwriting discounts and commissions.

Acquisition of Campuslink

On September 9, 1999, we completed our acquisition of Campuslink by our merger of a PaeTec subsidiary with and into Campuslink, which was the surviving corporation

in the merger. We issued a total of 5,919,183 shares of our Class A common stock in the merger. These shares represented 28.6% of our Class A common stock and 21.9% of the total number of shares of our common stock outstanding immediately after the merger. We also issued options to purchase 100,000 shares of our Class A common stock to Joseph J. Golden at an exercise price of \$5.00 per share and options to purchase 75,000 shares of our Class A common stock to Robert I. Schwartz at the same exercise price. Messrs. Golden and Schwartz have served as executive officers of PaeTec since we acquired Campuslink.

In connection with the acquisition, we assumed a total of \$7.3 million of Campuslink indebtedness owed to four of Campuslink's former principal stockholders, Alliance Cabletel Holdings, L.P., Kline Hawkes California SBIC, L.P., The Union Labor Life Insurance Company Separate Account P and Pacific Capital Group, Inc., and to Kocom Communications, a partner in Alliance Cabletel. Each of the four former Campuslink stockholders held more than 5% of our outstanding common stock as a result of the merger. Of the assumed indebtedness, we repaid \$5.2 million upon the closing of the merger. To evidence the remaining \$2.1 million of this indebtedness, we issued notes to these entities in the following approximate principal amounts: Alliance Cabletel (\$1.3 million); Kline Hawkes (\$0.1 million); Union Labor Life (\$0.1 million); Pacific Capital Group (\$0.3 million); and Kocom Communications (\$0.3 million). The notes, which we repaid using proceeds from our sale of the Series A preferred stock in February 2000, bore interest at an initial annual interest rate of 8.25%, which was subject to adjustment from time to time to reflect changes in a specified prime lending rate. We were required to pay interest on the notes quarterly and to repay the notes in full upon the earlier of June 30, 2002 or the completion by us of one or more specified financing transactions.

We have placed 876,000 of the shares of Class A common stock issuable in the merger in an escrow account to satisfy the indemnification obligations of Campuslink under the merger agreement. The escrowed shares not applied to satisfy these obligations will be released to the former Campuslink stockholders on December 31, 2000 or a later date if there are indemnification claims pending on December 31, 2000. We have placed an additional 1,780,000 shares of Class A common stock in the escrow account to secure post-closing obligations of Campuslink relating to Campuslink's financial statements and to Campuslink's procurement of consents to the merger from some of its significant customers with which Campuslink has exclusive service agreements. Of these additional shares, we released from escrow 300,000 shares in September 1999 and 1,100,000 shares in April 2000.

In connection with the acquisition, Arunas A. Chesonis, Christopher E. Edgecomb and Jeffrey P. Sudikoff, who at the time held the largest percentages of our outstanding Class B common stock, entered into a stockholders' agreement with PaeTec and the former Campuslink stockholders. This agreement provides the former Campuslink stockholders with co-sale rights with respect to transfers of PaeTec securities by Mr. Chesonis, Mr. Edgecomb or Mr. Sudikoff and preemptive rights with respect to new issuances of capital stock and other securities by PaeTec. These rights will terminate upon the completion of the offerings.

Under the stockholders' agreement, Mr. Chesonis agreed to vote shares of our stock over which he has voting rights to elect one or more individuals designated by the former Campuslink stockholders to our board of directors. These provisions of the stockholders' agreement were restated in the voting rights agreement executed in

connection with our sale of the Series A preferred stock to the preferred stock investors. See

68

“Management—Other Board Membership Rights” for more information about the voting agreement. James A. Kofalt has been elected to our board of directors under these board membership provisions and Mr. Kofalt, or another designee of the Campuslink stockholders, will be entitled to continue to serve as a director after completion of the offerings. In the stockholders’ agreement, we also agreed not to engage in certain transactions without the approval of the director or directors nominated by Campuslink. These approval rights will terminate upon completion of the offerings.

In connection with the acquisition, we entered into a registration rights agreement with the former Campuslink stockholders. This registration rights agreement was amended and restated in February 2000 in connection with our sale of the Series A preferred stock to the preferred stock investors. In the amended agreement, we have granted the Campuslink stockholders registration rights which are substantially similar to the registration rights we granted to the Blackstone investors under the same agreement, as we describe above under “Transactions With Preferred Stock Investors.”

Transactions With Newcourt Commercial Finance Corporation

In November 1998, we entered into a senior debt agreement with Newcourt Commercial Finance Corporation to establish a \$49 million credit facility. At the time we entered into the credit facility, we sold Newcourt 600,000 shares of our Class A common stock at a price of \$2.50 per share. These shares represented more than 5% of our outstanding Class A common stock at the time of the sale. In 1999, Newcourt purchased another 217,800 shares of our Class A common stock at a price of \$5.00 per share. We granted Newcourt piggyback registration rights with respect to its shares and protections against dilutive future issuances of Class A common stock, any securities convertible into Class A common stock and any warrants, options or other rights to subscribe for or purchase Class A common stock. Newcourt was also granted the right, which is subject to exceptions and will terminate upon completion of the offerings, to maintain a specified percentage ownership in PaeTec. Newcourt also purchased 5,000 shares of the Series A preferred stock in February 2000 upon the same terms and conditions as the other preferred stock investors.

In October 1999, we amended our credit facility with Newcourt. The amendment to this facility increased our maximum borrowing availability from \$49 million to \$70 million. We pay interest under our credit facility at floating annual rates based, at our option, on a designated base rate or LIBOR, plus a specified margin. We made interest payments to Newcourt of \$1.9 million in 1999 and \$0 in fiscal 1998. In 1999, we also paid Newcourt fees of \$78,702 based on the committed but unused portion of our facility. As of March 1, 2000, \$25 million of borrowings were outstanding under the facility.

In October 1999, we entered into a \$10 million unsecured credit facility with **Newcourt, Canadian Imperial Bank of Commerce and Merrill Lynch Capital Corp., as lenders**. We granted the lenders warrants to purchase shares of our Class A common stock which would have been exercisable if the commitments of the lenders had not been terminated before April 11, 2000 or if there had been an outstanding balance

on the facility on that date. We made no borrowings under this facility. These warrants were canceled when we terminated the facility in February 2000.

Transactions With STAR Telecommunications and its Affiliates

In August 1998, we sold 1,200,000 shares of our Class A common stock at a price of \$0.69 per share to STAR Telecommunications, which is a public facilities-based international long distance provider. These shares represented more than 5% of our outstanding common stock at the time of the sale. In September 1998, we sold STAR Telecommunications an additional 1,700,000 shares of our Class A common stock at a price of \$2.50 per share. Under our August 1998 agreement with STAR Telecommunications, we granted that company piggyback registration rights with respect to its shares, protections against dilutive future issuances of Class A common stock and securities convertible into Class A common stock, and preemptive rights to subscribe to additional stock issuances to maintain its ownership percentage in PaeTec.

69

In August 1998, at the time we first sold our common stock to STAR Telecommunications, our two companies entered into leases that allow us to collocate some of our switching equipment within the STAR Telecommunications switching centers. Those leases have initial terms of ten years. We were not required to make any lease payments in our 1998 fiscal year. Beginning in May 1999, we make total monthly payments of approximately \$19,000 under the leases. Assuming the leases remain in effect through the end of their initial terms, we estimate that we will make total lease payments of approximately \$4.6 million to STAR Telecommunications.

In the second half of 1999, STAR Telecommunications sold all of its shares of our Class A common stock and is no longer a stockholder of PaeTec.

In August 1998, in transactions which occurred at the time we first sold our common stock to STAR Telecommunications, we sold 2,400,000 shares of our Class B common stock at a price of \$0.83 per share to Christopher E. Edgecomb, the Chairman of the Board and Chief Executive Officer of STAR Telecommunications. At that time, Mr. Chesonis, our Chairman of the Board and Chief Executive Officer, was also a director of STAR Telecommunications. Mr. Edgecomb was granted various rights with respect to his PaeTec shares. These rights included piggyback registration rights, protections against dilutive future issuances of common stock and securities convertible into common stock, preemptive rights to subscribe to additional stock issuances, and co-sale rights to include Mr. Edgecomb's shares in any sale of PaeTec common stock by Mr. Chesonis, on the same terms. Mr. Edgecomb's protections against dilutive future issuances and his preemptive rights will terminate upon completion of the offerings. At the time he purchased his shares, Mr. Edgecomb entered into a stockholders' agreement with Mr. Chesonis and Mr. Sudikoff in which he granted Mr. Chesonis proxies to vote his shares of Class B common stock in Mr. Chesonis's sole and absolute discretion. Mr. Chesonis agreed to vote all shares of our common stock he owns or controls, or which are covered by proxies given to him, to elect Mr. Edgecomb or the designee of Messrs. Edgecomb and Sudikoff to our board of directors, until Messrs. Edgecomb and Sudikoff together ceased to own a total of 4,800,000 shares of our Class B common stock. Mr. Edgecomb served on our board of directors from August 1998 to February 2000 under this agreement. In February

2000, Messrs. Edgecomb and Sudikoff converted all of their shares of Class B common stock into shares of Class A common stock.

(1) Includes 2,450,000 shares of Class B common stock beneficially owned by Mr. Chesonis and convertible into shares of Class A common stock on a one- for-one basis.

(2) Includes 185,000 shares of Class B common stock over which Mr. Chesonis has voting power under proxies granted to him that are irrevocable other than in specified circumstances. See "Description of Capital Stock—Common Stock" for additional information concerning these proxies.

(3) Includes 30,000 shares of Class B common stock and 4,500 shares of Class A common stock held by trusts for the benefit of Mr. Baron's children, for which Mr. Baron's brother serves as trustee. Mr. Baron disclaims beneficial ownership of these shares. The 30,000 Class B shares are convertible into shares of Class A common stock on a one-for-one basis.
(

4) Includes 30,000 shares of Class B common stock held by trusts for the benefit of Mr. Baron's children, for which Mr. Baron's brother serves as trustee. Mr. Baron disclaims beneficial ownership of these shares.

(5) Includes 30,000 shares of Class B common stock beneficially owned by the holder and convertible into shares of Class A common stock on a one-for- one basis.

(6) Consists of 6,666,666 shares of Class A common stock issuable upon conversion of 50,000 shares of Series A preferred stock owned by the Blackstone investors identified in footnote (12). Mr. Guffey is a member of Blackstone Management Associates III L.L.C., a general partner of each of the Blackstone investors. Mr. Guffey disclaims beneficial ownership of these shares.

(7) Includes 9,333,333 shares of Class A common stock issuable upon conversion of 70,000 shares of Series A preferred stock owned by the Madison Dearborn investors identified in footnote (14). Mr. Kirby is a principal of Madison Dearborn Partners, LLC, the ultimate general partner of Madison Dearborn Capital Partners III, L.P. and Madison Dearborn Special Equity III, L.P., and the manager of Special Advisors Fund I, LLC. Because of his service in these positions, Mr. Kirby may be deemed to be the beneficial owner of these shares.

(8) Includes 2,465,478 shares owned by Alliance Cabletel Holdings, L.P. Mr. Kofalt is Chairman of Alliance Cabletel and the sole stockholder and president of Kocom Communications, Inc., the general partner of Alliance Cabletel. Because of these positions, Mr. Kofalt may be deemed to be the beneficial owner of these shares.

(9) Includes 150,000 shares of Class A common stock held by a trust for the benefit of Mr. Ottalagana's daughter, for which Mr. Ottalagana's wife serves as trustee. Mr. Ottalagana disclaims beneficial ownership of these shares.

(10) Includes options to purchase 72,669 shares of Class A common stock exercisable within 60 days of March 1, 2000.

(11) Consists of 523,124 shares held in an escrow account for the benefit of Alliance Cabletel in connection with our acquisition of Campuslink and 1,482,204 shares beneficially owned by Alliance Cabletel. The address of Alliance Cabletel is 360 North Crescent Drive, Beverly Hills, California 90210.

(12) The Blackstone investors include Blackstone CCC Capital Partners L.P., Blackstone CCC Offshore Capital Partners L.P. and Blackstone Family Investment Partnership III L.P. The shares shown consist of 5,301,117 shares of Class A common stock issuable upon conversion of 39,758.38 shares of Series A preferred stock owned of record by Blackstone CCC Capital Partners L.P., 965,549 shares of Class A common stock issuable upon conversion of 7,241.62 shares of Series A preferred stock owned of record by Blackstone CCC Offshore Partners L.P. and 400,000 shares of Class A common stock issuable upon conversion of 3,000 shares of Series A preferred stock owned of record by Blackstone Family Investment Partnership III L.P. The address of the Blackstone investors is 345 Park Avenue, New York, New York 10154.

(13) Includes 361,477 shares held in an escrow account in connection with our acquisition of Campuslink. The business address of Kline Hawkes California SIBC, L.P. is 11726 San Vicente Boulevard, Los Angeles, California 90049.

(14) The Madison Dearborn investors include Madison Dearborn Capital Partners III, L.P., Madison Dearborn Special Equity III, L.P. and Special Advisors Fund I, LLC. The shares shown consist of 9,111,029 shares of Class A common stock issuable upon conversion of 68,332.72 shares of Series A preferred stock owned of record by Madison Dearborn Capital Partners III, L.P., 202,304 shares of Class A common stock issuable upon conversion of 1,517.28 shares of Series A preferred stock owned of record by Madison Dearborn Special Equity III, L.P. and 20,000 shares of Class A common stock issuable upon conversion of 150 shares of Series A preferred stock owned of record by Special Advisors Fund I, LLC. The address of the Madison Dearborn investors is Three First National Plaza, Suite 3800, Chicago, Illinois 60670.

(15) Includes 870,000 shares of Class A common stock beneficially owned by GKW Unified Holdings, LLC and 2,465,478 shares beneficially owned by Alliance Cabletel Holdings, L.P. GKW Unified Holdings is the majority limited partner in Alliance Cabletel. Mr. Winnick is the sole stockholder, Chairman and Chief Executive Officer of Pacific Capital Group, Inc., the managing member of GKW Unified Holdings. Because of his service in these positions, Mr. Winnick may be deemed to be the beneficial

owner of these shares. Mr. Winnick's business address is 360 North Crescent Drive, Beverly Hills, California 90210.

73

DESCRIPTION OF CAPITAL STOCK

The following description of our capital stock summarizes provisions of our certificate of incorporation and bylaws as they will be amended before completion of the offerings.

Authorized and Outstanding Capital Stock

Upon completion of the offerings, our authorized capital stock will consist of 300,000,000 shares of Class A common stock, \$.01 par value per share, 7,500,000 shares of Class B common stock, \$.01 par value per share, and 5,000,000 shares of preferred stock, \$.01 par value per share. As of the date of this prospectus, there were shares of Class A common stock outstanding, 2,685,000 shares of Class B common stock outstanding and 134,000 shares of Series A preferred stock outstanding. Upon completion of the offerings, after giving effect to the issuance of shares of Class A common stock by us and the conversion of the outstanding Series A preferred stock into 17,866,666 shares of Class A common stock, there will be shares of Class A common stock outstanding, 2,685,000 shares of Class B common stock outstanding and no shares of preferred stock outstanding.

All outstanding shares of our capital stock are, and the shares of Class A common stock we will issue in the offerings will be, fully paid and nonassessable.

83

UNDERWRITING

We intend to offer the shares in the U.S. and Canada through the U.S. underwriters and elsewhere through the international managers. Merrill Lynch, Pierce, Fenner & Smith Incorporated and Bear, Stearns & Co. Inc. are acting as U.S. representatives of the U.S. underwriters named below. Subject to the terms and conditions described in a U.S. purchase agreement between us and the U.S. underwriters, and concurrently with the sale of shares to the international managers, we have agreed to sell to the U.S. underwriters, and the U.S. underwriters severally have agreed to purchase from us, the number of shares listed opposite their names below.

U.S. Underwriters	Number of Shares
-----	-----
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	
Bear, Stearns & Co. Inc.	---
Total.....	===

We have also entered into an international purchase agreement with the international managers for sale of the shares outside the U.S. and Canada for whom Merrill Lynch International and Bear, Stearns & Co. Inc. are acting as lead managers.

Subject to the terms and conditions in the international purchase agreement, and concurrently with the sale of shares to the U.S. underwriters pursuant to the U.S. purchase agreement, we have agreed to sell to the international managers, and the international managers severally have agreed to purchase from us, shares. The initial public offering price per share and the total underwriting discount per share are identical under the U.S. purchase agreement and the international purchase agreement.

The U.S. underwriters and the international managers have agreed to purchase all of the shares sold under the U.S. and international purchase agreements if any of these shares are purchased. If an underwriter defaults, the U.S. and international purchase agreements provide that the purchase commitments of the nondefaulting underwriters may be increased or the purchase agreements may be terminated. The closings for the sale of shares to be purchased by the U.S. underwriters and the international managers are conditioned on one another.

F-3

PAETEC CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
PERIOD FROM MAY 19, 1998 (INCEPTION) TO DECEMBER 31, 1998
AND YEAR ENDED DECEMBER 31, 1999

(Dollar amounts in thousands except share and per share amounts)

	1998	1999
	-----	-----
-		
REVENUE.....	\$ 150	\$
23,347		
COST OF SERVICES.....	96	
16,809		
	-----	-----
-		
GROSS MARGIN.....	54	
6,538		
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	5,770	
40,294		
DEPRECIATION AND AMORTIZATION.....	243	
4,508		
	-----	-----
-		
LOSS FROM OPERATIONS.....	(5,959)	
(38,264)		
OTHER INCOME, net.....	107	
355		
INTEREST EXPENSE.....	--	
(2,434)		
	-----	-----
-		
NET LOSS.....	\$ (5,852)	\$
(40,343)		
	=====	

=====

BASIC AND DILUTED NET LOSS PER COMMON SHARE.....	\$	(0.67)	\$
(1.93)			

=====

=====

WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING....	8,786,000
20,862,000	

=====

=====

F-5

PAETEC CORP. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS PERIOD FROM MAY 19, 1998

(INCEPTION) TO DECEMBER 31, 1998 AND YEAR ENDED
DECEMBER 31, 1999

(Dollar amounts in thousands)

	1998	1999
	-----	-----
-		
OPERATING ACTIVITIES:		
Net loss.....	\$ (5,852)	
\$(40,343)		
Adjustments to reconcile net loss to net cash used by		
operating activities:		
Depreciation and amortization.....	243	
4,508		
Changes in assets and liabilities which provided (used)		
cash:		
Accounts receivable.....	(159)	
(7,565)		
Prepaid expenses and other current assets.....	(193)	
(171)		
Other assets.....	(349)	
(423)		
Accounts payable.....	2,118	
2,889		
Accrued expenses.....	884	
(2,711)		
Accrued payroll and related liabilities.....	79	
2,403		
Accrued usage taxes.....	--	
1,654		
	-----	-----
-		
Net cash used by operating activities.....	(3,229)	
(39,759)		
	-----	-----
-		
INVESTING ACTIVITIES:		
Purchases of property and equipment.....	(12,027)	

(37,761)			
Other.....	--		
354			
	-----	-----	
-			
Net cash used by investing activities.....	(12,027)		
(37,407)			
FINANCING ACTIVITIES:			
Proceeds from issuance of common stock.....	18,487		
27,575			
Proceeds from exercise of stock options.....	--		
94			
Proceeds from long-term borrowings.....	--		
65,000			
Repayments on debt.....	--		
(9,350)			
Payment for debt issuance costs.....	(797)		
(1,152)			
	-----	-----	
-			
Net cash provided by financing activities.....	17,690		
82,167			
	-----	-----	
-			
NET INCREASE IN CASH AND CASH EQUIVALENTS.....	2,434		
5,001			
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD.....	--		
2,434			
	-----	-----	
-			
CASH AND CASH EQUIVALENTS, END OF PERIOD.....	\$ 2,434	\$	
7,435			
	=====		
=====			
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid for interest expense.....	\$ --	\$	
2,267			
	=====		
=====			
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:			
Purchases of property and equipment included in accounts payable.....	\$ --	\$	
4,020			
	=====		
=====			
Notes payable assumed in a business combination.....	\$ --	\$	
15,970			
	=====		
=====			
Notes payable issued in connection with a business acquisition.....	\$ --	\$	
1,028			
	=====		
=====			
Common stock issued in connection with business acquisitions.....	\$ --	\$	
30,100			

F-23

CAMPUSLINK COMMUNICATIONS SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

2. ACCRUED LIABILITIES

Accrued expenses and other liabilities consist of the following:

	June 30, June 30, December		
	1997	1998	1998
---	-----	-----	-----
Accrued interest--shareholders.....	\$ 768	\$ 794	\$ 831
Accrued carrier charges.....	933	523	1,018
Accrued taxes.....	--	--	563
Deposits on installations.....	308	1,099	348
Deferred revenue.....	--	--	383
Consulting fees--shareholder.....	165	249	291
Other.....	131	152	203
	-----	-----	-----
Total.....	\$2,305	\$2,817	\$ 3,637
	=====	=====	=====

3. LONG-TERM DEBT

Long-term debt consists of the following:

	June 30, June 30, December		
	1997	1998	1998
---	-----	-----	-----
Note payable to certain shareholders, repayable in 22 quarterly installments maturing in 2002, with interest at 8% per annum.....	\$1,742	\$1,382	\$ 1,209
ESA acquisition financing, repayable in 84 monthly installments maturing in 2004, with interest at 9.18% per annum.....	964	845	806
Line of credit, interest at prime (7.75% at December 31, 1998).....	--	3,250	4,875
ESA financing repayable in 60 monthly installments maturing in 2002, with interest at 10.88% per annum.....	--	960	869
Notes payable to certain shareholders, repayable on demand, with interest at 10% per annum.....	--	700	700
Note payable to certain shareholders, repayable in 83 monthly installments maturing in 2005, with interest at 10.4%, per annum.....	--	--	4,113
Other.....	--	2	2

Total.....	2,706	7,139	12,574
Less current portion.....	100	4,682	6,686
Long-term portion.....	\$2,606	\$2,457	\$ 5,888

In May 1995, Alliance Cabletel Holdings, L.P. ("Alliance") made a \$1,900 bridge loan to the Company. The bridge loan was restricted for use of payment to a specific subcontractor in charge of installing the cabling infrastructure related to an ESA. Alliance was granted a security interest in the School's ESA and all revenue and receivables derived from the ESA. As of June 30, 1996, the Company had not made any principal or interest payments on the bridge loan. In November 1996, Alliance deferred all accrued interest on the bridge loan and restructured the payment terms to 22 equal quarterly principal payments of \$86 beginning on December 31, 1996, and reduced the interest rate from 10% to 8%. In November 1996, Alliance was also granted a security interest in all of the existing assets of the Company. It is not practical to estimate the fair value of the bridge loan, which was negotiated for a specific transaction entered into by the Company with certain of its shareholders. The note matures June 30, 2001.

F-24

CAMPUSLINK COMMUNICATIONS SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

In December 1995, Alliance made a loan (the "Shareholder Loan") of \$3,500 to the Company. The interest rate was 12% and was due on June 1, 1996, with an automatic one-year extension if the Shareholder Loan was not repaid in full. On November 19, 1996, the Shareholder Loan was converted into 1,750 shares of Series C redeemable preferred stock. In connection with conversion, Alliance was issued a warrant (the "Series C Warrant") to purchase 1,311,471 shares of common stock at an exercise price of \$.001 per share. The Series C Warrant is exercisable, in whole or part, at any time for a period of five years from the date of issuance (Note 4). In connection with the acquisition of ten ESAs in June 1997, the Company assumed notes payable in the amount of \$964 payable to a financing institution. The notes are guaranteed entirely by a telephone switch manufacturer and mature in 2004. Based on the borrowing rates available to the Company, the Company's carrying value of the notes approximated fair value at June 30, 1997, 1998 and December 30, 1998. On March 5, 1998, the Company entered in to a \$2,000 line of credit at a commercial bank. On May 4, 1998, this line of credit was increased to \$3,500, \$4,500 in August 1998, and \$5,250 in October 1998. The line of credit is due and payable on March 1, 1999. The line of credit was not renewed at March 1, 1999. Certain shareholders of the Company provided payment to the bank for the amount outstanding at March 1, 1999 and the Company assumed this debt, payable to the shareholders. The interest rate on the line of credit is the prime rate of the commercial bank. In April 1998, certain shareholders of the Company provided a credit enhancement to the commercial bank. As consideration for providing the credit enhancement, the Company has agreed to issue to certain shareholders 505,903 warrants (the "Credit Line Warrants") to purchase the Company's common stock at an exercise price of \$.99 per share. The Company recorded these warrants at \$.14 per warrant, which the Company believes is representative of the fair value. It is anticipated that the Credit Line Warrants will have the same terms and conclusions as the warrants issued in connection with the Series C, D-1, and D-2 preferred stock (Note 4). On September 30, 1997, the Company borrowed \$1,004 from a commercial lender related to a five-year ESA. The term of the loan is 60 months at an effective interest

rate of 10.88%, with monthly payments of approximately \$24. The note is secured by the assets and operations of the ESA. The carrying value of this note approximates fair market value at June 30, 1998 and December 31, 1998. On April 8, 1998, the Company borrowed \$700 in 10% demand notes from certain shareholders to provide partial collateral for a bid bond related to a specific proposal. In addition, the Company has deposited with its commercial bank \$500 as additional collateral for the same bid bond. As consideration for the loan, the Company has agreed to issue 236,088 warrants (the "Bid Bond Warrants") to purchase the Company's common stock at an exercise price of \$.99 per share. The Company recorded these warrants at \$.14 per warrant, which the Company believes is representative of the fair value. It is anticipated that the Bid Bond Warrants will have the same terms and conditions as the warrants issued in connection with the Series C, D-1, and D-2 preferred stock (Note 4). On December 31, 1998, the Company borrowed \$4,154 from a commercial lender related to an ESA. The term of the loan is 83 months at an effective interest rate of 10.40%, with monthly payments of approximately \$76. The note is secured by the assets and operations of the ESA. The carrying value of this note approximates fair market value at December 31, 1998.

F-25

CAMPUSLINK COMMUNICATIONS SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Future principal payments at December 31, 1998 are as follows:

1999.....	\$ 6,686
2000.....	1,213
2001.....	1,308
2002.....	1,083
2003.....	878
Thereafter.....	1,406

Total.....	\$12,574
	=====

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement with full force and effect as of the day and year first written above.

THE CORPORATION:

PAETEC CORP.

By: Arunas A. Chesonis

Its: President

MAJORITY STOCKHOLDERS:

/s/ Arunas A. Chesonis

Arunas A. Chesonis

CHRISTOPHER E. EDGEComb
LIVING TRUST, dated April 25, 1998

/s/ Christopher Edgecomb

Christopher Edgecomb, Trustee

/s/ Jeffrey Sudikoff

Jeffrey Sudikoff

CCS GROUP STOCKHOLDERS:

**ALLIANCE CABLETEL HOLDINGS, L.P., a Delaware
limited partnership**

**By: KOCOM COMMUNICATIONS, INC., a
Delaware limited partnership**

By: /s/ James A. Kofalt

James A. Kofalt, President

14

KLINE HAWKES CALIFORNIA SBIC, L.P.

By: [SIGNATURE ILLEGIBLE]

Its: Chairman

**THE UNION LABOR LIFE INSURANCE COMPANY
SEPARATE ACCOUNT P**

By: [SIGNATURE ILLEGIBLE]

Its: VP Investments

/s/ Robert I. Schwartz

Robert I. Schwartz

/s/ Kenneth M. Kiraly

Kenneth M. Kiraly

/s/ Susan F. Kiraly

Susan F. Kiraly

/s/ Richard P. Rizzutti

Richard P. Rizzutti

/s/ Bryant Hopper

Bryant Hopper

/s/ Ronald S. Johnson

Ronald S. Johnson

/s/ Lodwrick Cook

15

Lodwrick Cook

/s/ Peter Cracovaner

Peter Cracovaner

/s/ Richard Cunningham

Richard Cunningham

/s/ Thomas O. FitzGerald

Thomas O. FitzGerald

/s/ Wendy Foliano

Wendy Foliano

/s/ Joseph Golden

Joseph Golden

/s/ Stephen Mayo

Stephen Mayo

/s/ Karen Sancimino

Karen Sancimino

/s/ Clinton Walker

Clinton Walker

SCHEDULE A

Robert I. Schwartz

Kenneth M. and Susan F. Kiraly

Richard P. Rizzuti

Bryant Hopper

Ronald S. Johnson

Lodwrick Cook

Peter Cracovaner

Richard Cunningham

Thomas O. FitzGerald

Wendy Foliano

Joseph Golden

Stephen Mayo

Karen Sancimino

Clinton Walker

SCHEDULE B

Holder	Common Stock (Number of Shares)	Options (Number of Shares)
-----	-----	-----
Alliance Cabletel Holdings, L.P.	2,465,478	--
Kline Hawkes California SBIC, L.P.	1,703,652	--
The Union Labor Life Insurance Company - Separate Account P	1,702,042	--
Robert I. Schwartz	26,700	27,798
Kenneth M. & Susan F. Kiraly	12,855	--
Richard P. Ruzzuti	3,245	--
Bryant Hopper	1,217	--
Ronald S. Johnson	1,560	--
Lodwrick Cook	--	14,174
Peter Cracovaner	2,434	--
Richard Cunningham	--	7,411
Thomas O. FitzGerald	--	4,833
Wendy Foliano	--	3,222
Joseph Golden	--	44,418
Stephen Mayo	--	18,830
Karen Sancimino	--	4,833
Clinton Walker	--	36,109

SCHEDULE C

Name	Class	Shares
----	-----	-----
Arunas A. Chesonis	Class A Common Stock	43,620
	Class B Common Stock	2,450,000
Jeffrey Sudikoff	Class B Common Stock	1,200,048
Christopher Edgecomb Living Trust, dated April 25, 1998	Class A Common Stock	145,000
	Class B Common Stock	2,400,000

SCHEDULE 3.1

As of the date hereof, there were outstanding options to acquire an aggregate of 1,967,437 shares of Class A Common Stock of the Corporation pursuant to the PaeTec Corp. 1998 Incentive Compensation Plan. In addition, on the date hereof, there were outstanding warrants to purchase an aggregate of 40,000 shares of Class A Common Stock of the Corporation.

20

-9-

Exhibit 10.16

AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

Dated as of October 29, 1999

Among

PAETEC COMMUNICATIONS, INC.,

PAETEC INTERNATIONAL, INC.,

PAETEC ONLINE, INC.,

PAETEC COMMUNICATIONS OF VIRGINIA, INC.,

PAETEC CAPITAL CORP.,

CAMPUSLINK COMMUNICATIONS SYSTEMS, INC.,

SELECT SWITCH ACQUISITION CO.,

PARKLINK COMMUNICATIONS, INC.,

and

EAST FLORIDA COMMUNICATIONS, INC.

as Borrowers,

THE FINANCIAL INSTITUTIONS FROM TIME TO

TIME PARTIES HERETO,

as Lenders,

and

CANADIAN IMPERIAL BANK OF COMMERCE

as Administrative Agent for the Lenders,

and

NEWCOURT COMMERCIAL FINANCE CORPORATION,

as Collateral Agent for the Lenders

Exhibit 10.24.1

REGISTRATION RIGHTS AGREEMENT

THIS AGREEMENT is made and entered into as of December 8, 1999, among PaeTec Corp., a Delaware corporation (the "Company"), and the persons and entities listed on the attached Schedule I (the "Purchasers").

RECITALS

WHEREAS, Star Telecommunications, Inc., a Delaware corporation (the "Seller"), owns 850,000 shares of Class A Common Stock, par value \$0.01 per share (the "Class A Common Stock"), of the Company;

WHEREAS, the Seller is selling to the Purchasers and the Purchasers are purchasing from the Seller all of such 850,000 shares (the "Purchased Shares"), in the amounts set forth on Schedule I hereto, concurrently with the execution and delivery of this Agreement and pursuant to the terms and conditions of a Common Stock Purchase Agreement, dated as of December 6, 1999, between the Purchasers and the Seller (the "Stock Purchase Agreement");

WHEREAS, the Company granted to the Seller certain piggy-back registration rights with respect to the Purchased Shares in connection with the original issuance thereof to the Seller; and

WHEREAS, the Company desires to grant to each Purchaser certain piggy-back registration rights with respect to (i) the Purchased Shares held by such Purchaser and (ii) any shares of common stock of the Company paid, issued or distributed in respect of such Purchased Shares by way of stock dividend or distribution or stock split or in connection with a combination of shares, recapitalization or otherwise (the shares referred to in clauses (i) and (ii) collectively, the "Registrable Shares") according to the terms and provisions of this Agreement;

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Piggy-Back Registration Rights.

- (a) If at any time or from time to time after the completion of the initial public offering of shares of the Class A Common Stock, the Company shall determine to register any of its equity securities, either for its own account or the account of a security holder or holders (other than a registration of securities on Form S-8 relating solely to employee benefit or stock plans or a registration

on Form S-4 to effect a merger or other reorganization), the Company shall promptly give to the Purchasers written notice thereof and, upon the written request of a Purchaser made within 10 business days after receipt of such written notice from the Company, and subject to paragraph (b) below, shall include in such registration (and any related qualification under blue sky laws or other compliance), and in any underwriting involved therein, all the Registrable Shares held by such Purchaser specified in such written request.

- (b) If the registration of which the Company gives notice is for a registered public offering for the account of the Company or a security holder (such security holder, an "Initiating Holder") involving an underwriting, the Company shall so advise the Purchasers as a part of the written notice given to the Purchasers pursuant to Section 1(a). In such event the right of any Purchaser to registration pursuant to this Section 1 shall be conditioned upon such Purchaser's participation in such underwriting, and the inclusion of Registrable Shares held by such Purchaser in the underwriting shall be limited to the extent provided herein. Each Purchaser desiring to participate in such an

offering (together with the Company and the other security holders distributing their securities through such underwriting) shall enter into an underwriting agreement in customary form with the managing underwriter selected for such underwriting by the Company. Notwithstanding any other provision of this Section 1, if the managing underwriter determines that marketing factors require a limitation of the number of shares to be underwritten, the managing underwriter may exclude some or all of the Registrable Shares or securities of other holders of registration rights granted by the Company from such registration in accordance with the succeeding sentence. In such event and provided the managing underwriter has so notified the Company in writing, the securities to be included in such offering shall consist of (i) first, any securities the Company or the Initiating Holder, as the case may be, proposes to sell, and (ii) second, the number of Registrable Shares the Purchasers requested to be included in such registration that, in the opinion of the managing underwriter, can be sold without jeopardizing the success of the offering of all the securities that the Company or the Initiating Holder, as the case may be, desires to sell for its own account, such amount to be allocated on a pro rata basis among the Purchasers who have requested their securities be so included based on the number of Registrable Shares that each Purchaser has requested to be so included; provided that, in the event another person has duly requested pursuant to an agreement with the Company that the Company register other securities of the Company and such request has not been withdrawn, the Purchasers and such other person shall be included in such registration pro rata based on the number of securities the Purchasers and such other person have requested to be so included. If any Purchaser disapproves of the terms of any such underwriting, such Purchaser may elect to withdraw therefrom by written notice to the Company and the managing underwriter. Any securities excluded or withdrawn from such underwriting shall be withdrawn from such registration, and shall continue to be subject to the terms of this Agreement.

2

- (c) The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 1 prior to the effectiveness of such registration whether or not any Purchaser has elected to include securities in such registration; provided, however, that any such termination or withdrawal shall not relieve the Company from its obligation to pay expenses of the Purchasers pursuant to Section 1(d).
- (d) All expenses associated with any registration hereunder (including, without limitation, registration, qualification and filing fees, printing expenses, blue sky fees, and fees and disbursements of counsel and accountants for the Company) shall be borne by the Company. Notwithstanding the foregoing, the Company shall not be obligated to pay any fees or disbursements of counsel to any Purchaser, and underwriters' discounts and commissions shall be borne by the participating Purchasers pro rata in proportion to the number of securities being registered.
- (e) In the case of each registration under this Section 1, the Company shall:
 - (i) prepare and file with the Securities and Exchange Commission a registration statement with respect to such securities and use its best efforts to cause such registration statement to become and remain effective for at least 45 days or until the distribution described in the registration statement has been completed, whichever first occurs (provided that before filing a registration statement or prospectus or any

- amendments or supplements thereto, the Company shall furnish to a single counsel to the Purchasers copies of all such documents proposed to be filed, which documents shall be subject to the review and, as to any information relating to the Purchasers or the proposed plan of distribution of the Registrable Shares, comment of such counsel);
- (ii) furnish to participating Purchasers such reasonable number of copies of the registration statement, preliminary prospectus, final prospectus and such other documents as such Purchasers may reasonably request in order to facilitate the public offering of the Registrable Shares included in such registration;
 - (iii) use its best efforts to register and qualify the securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as shall be reasonably requested by participating Purchasers, to take all actions which may be reasonably necessary to keep such registration or qualification in effect for so long as such registration statement remains in effect, and take any other action which may be reasonably necessary or advisable to enable the Purchasers to consummate the disposition in such jurisdictions of the Registrable Shares included in such registration, provided that the Company shall not be required in connection therewith or as a condition thereto

3

to qualify as a foreign corporation or as a dealer in securities or to file a general consent to service of process in any such states or jurisdictions in which it has not already done so and except as may be required by the Securities Act of 1933, as amended (the "Securities Act");

- (iv) immediately notify the Purchasers at any time when the Company becomes aware that a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made, and at the request of the Purchasers promptly prepare and furnish to the Purchasers a reasonable number of copies of a supplement or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made;
 - (v) provide a transfer agent and registrar for all Registrable Shares covered by such registration statement no later than the effective date of such registration statement; and
 - (vi) list all Registrable Shares covered by such registration statement on any securities exchange on which any of the same class of common stock of the Company is then listed.
- (f) The Company shall indemnify participating Purchasers and each person, if any, who controls such Purchasers within the meaning of the Securities Act against all expenses, claims, losses, damages or liabilities (or actions in respect thereof), arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any registration statement

or prospectus, or any amendment or supplement thereto, incident to any such registration, or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading, and the Company shall reimburse such Purchasers for any legal and any other expenses reasonably incurred, as such expenses are incurred, in connection with investigating, preparing or defending any such claim, loss, damage, liability or action, provided that the Company shall not be liable in any such case to the extent that any such claim, loss, damage, liability or expense arises out of or is based on any untrue statement or omission, or alleged untrue statement or omission, made in reliance upon and in conformity with written information relating to a Purchaser

4

furnished to the Company or any underwriter by such Purchaser for inclusion in any registration statement or prospectus, or any amendment or supplement thereto.

(g) Each Purchaser shall, if Registrable Shares held by such Purchaser are included in the securities as to which such registration is being effected, indemnify the Company, each of its directors and officers, each underwriter, if any, of the Company's securities covered by such a registration statement and each person, if any, who controls the Company or such underwriter against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any such registration statement or prospectus, or any amendment or supplement thereto, incident to any such registration, or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading, and shall reimburse the Company, such directors, officers, underwriters and control persons for any legal or any other expenses reasonably incurred, as such expenses are incurred, in connection with investigating or defending any such claim, loss, damage, liability or action, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such registration statement or prospectus, or in such amendment or supplement thereto, in reliance upon and in conformity with written information relating to such Purchaser furnished to the Company or any underwriter by such Purchaser for inclusion therein; provided that the obligations to indemnify shall be individual, not joint and several, for each Purchaser and shall be limited to the net amount of proceeds received by such Purchaser from the sale of Registrable Shares pursuant to such registration statement.

(h) If for any reason the indemnity set forth in paragraphs (f) or (g) above is unavailable or insufficient to hold harmless an indemnified party in respect of any losses, claims, damages, liabilities or expenses (or actions in respect thereof), then the indemnifying party shall contribute to the amount paid or payable by the indemnified party as a result of such losses, claims, damages, liabilities or expenses (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and the indemnified party on the other hand in connection with statements or omissions which resulted in such losses, claims, damages, liabilities or expenses (or actions in respect thereof), as well as any other

relevant equitable considerations, subject to the liability limitations set forth in the proviso in the last sentence of paragraph (g) above. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the indemnifying party or the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. Notwithstanding the foregoing, a

Purchaser shall not be required to contribute any amount in excess of the amount it would have been required to pay to an indemnified party if the indemnity under paragraph (g) hereof were available. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

- (i) The provisions on indemnification and contribution contained in any underwriting agreement entered into in connection with any underwritten registration referred to in this Agreement shall supersede the provisions of paragraphs (f), (g) and (h) above with respect to the parties to such underwriting agreement.
 - (j) Each Purchaser shall furnish to the Company such information regarding such Purchaser, the Registrable Shares held by such Purchaser, the distribution proposed by such Purchaser and such other information as shall be required by the Securities Act or the rules promulgated thereunder as the Company may reasonably request in writing and as shall be reasonably required in connection with any registration referred to in this Agreement.
 - (k) The registration rights granted to each Purchaser in this Section 1 shall expire as to such Purchaser at such time (if ever) as such Purchaser may sell the Registrable Shares held by such Purchaser under Rule 144 promulgated under the Securities Act (or any successor thereto) without limitation as to volume. The foregoing notwithstanding, a Purchaser's registration rights under this Section 1 shall expire after the Company has offered such Purchaser the cumulative opportunity to register all of such Purchaser's Registrable Shares in two registered offerings, irrespective of whether such Purchaser elects to participate in such registered offerings.
2. Lock-Up. Each Purchaser hereby agrees, if so requested in writing by any managing underwriter of an underwritten registration by the Company of its securities (either for its own account, or for the benefit of the holders of any securities of the Company), not to effect any sale or distribution of Registrable Shares, except as part of such underwritten registration, during the seven days prior to and the 90 days (or 180 days, in the case of the Company's initial public offering) after the time such underwritten registration has become effective or such period of time shorter than 90 days (or 180 days, as applicable) that is sufficient and appropriate, in the opinion of the managing underwriter, in order to complete the sale and distribution of securities included in such underwritten registration; provided, however, that if any director or executive officer of the Company or any owner of 5% or more of the outstanding common stock of the Company subject to such a lock-up restriction is subject to a lock-up restriction of shorter duration, such shorter lock-up period shall apply to such Purchaser. If requested, each Purchaser shall enter into a lock-up agreement with

the applicable underwriters that is consistent with the agreement in the preceding sentence. The provisions of this Section 2 with respect to any underwritten registration shall not limit the exercise by the Purchasers of their rights under Section 1 with respect to such underwritten registration.

3. Miscellaneous.

- (a) This Agreement may be modified or amended only upon the written consent of the Company and the Purchasers holding a majority of the then-outstanding Registrable Shares; provided, however, that no modification or amendment of this Agreement that adversely affects the rights hereunder of any Purchaser in any material respect shall be effective against such Purchaser unless such Purchaser shall have consented in writing to such modification or amendment.
- (b) This Agreement shall be interpreted under and governed by the laws of the State of New York applicable to agreements made and to be performed entirely within the State of New York, without giving effect to the principles of conflicts of law thereunder.
- (c) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. No Purchaser shall be permitted to assign any of its registration rights or other rights under this Agreement to any other person without the prior written consent of the Company, which may be granted or withheld by the Company in its sole discretion. Any permitted assignee of registration rights hereunder shall execute and agree to be bound by, and shall be deemed a "Purchaser" under, this Agreement.
- (d) This Agreement may be executed in counterparts, each of which shall be an original but all of which shall constitute one and the same instrument.
- (e) Any notice, demand or other communication required, permitted or desired to be given hereunder shall be in writing and shall be deemed effectively given upon personal delivery, facsimile transmission (with confirmation of receipt), delivery by reputable overnight service or five (5) days following deposit in the United States mail (if sent by certified or registered mail, postage prepaid, return receipt requested), in each case duly addressed to the Company at its headquarters or to the Purchasers at the respective addresses of the Purchasers listed on Schedule I hereto (unless the Company receives notice pursuant to this Section 3(e) of a change to any such address).

7

- (f) This agreement sets forth the entire understanding and agreement of the parties with respect to its subject matter.

[remainder of page intentionally left blank; signature pages follow]

8

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first above written.

PURCHASERS:
GKW UNIFIED HOLDINGS LLC

■

By: /s/ Gregg Ritchey

Its: CFO Manager

[redacted]

CAROLWOOD COMPANY LLC

By: /s/ Lodwrick M. Cook

Its: Manager

[redacted]

KEPACA LLC

By: /s/ Thomas J. Casey

Its: President

[redacted]

FIDUCIA INTERNATIONAL

By: /s/ Gregg Ritchey

Its: General Partner

[redacted]

SAN PASQUAL CORP.

By: /s/ David Lee

Its: General Partner

[redacted]

BARRY PORTER

By: /s/ Barry Porter

Its:

[redacted]

THE WALKER LIVING TRUST

By: /s/ Clint W. Walker

Its: Trustee

[redacted]

ROSALIE ZALIS

By: /s/Rosalie Zalis

Its:

[redacted]

PETE WILSON

By: /s/ Pete Wilson

Its:

**THE COMPANY:
PAETEC CORP.**

By: /s/ Timothy Bancroft

Its: Vice President - Finance

10

SCHEDULE I

Buyer	Shares
GKW Unified Holdings LLC 360 N. Crescent Beverly Hills, CA 90210	360,000
Kepaca LLC 1476 Via Cresta Pacific Palisades, CA 90272 Attention: Tom Casey	200,000
Carolwood Company LLC 13849 Weddington Street Sherman Oaks, CA 91401 Attention: Lodwrick Cook	100,000
Fiducia International 16875 Callie De Sarah Pacific Palisades, CA 90272 Attn: Gregg Ritchie	50,000
San Pasqual c/o The Management Group 9100 Wilshire Blvd., Suite 725E Beverly Hills, CA 90212	50,000
Barry Porter c/o The Management Group 9100 Wilshire Blvd., Suite 725E Beverly Hills, CA 90212	50,000
The Walker Living Trust 2600 Via Segunda Palos Verdes Estates, CA 90274	30,000

Attention: Clint Walker

Rosalie Zalis 5,000
360 N. Crescent Drive
Beverly Hills, CA 90274

Pete Wilson 5,000
360 N. Crescent Drive
Beverly Hills, CA 90274

**THIS IS NOT A COMPLETE COPY OF THE
FULL FILING. THIS IS COMPRISED OF
SELECTED
RELEVANT DATA ONLY**

**(PORTIONS ONLY): as filed with the Securities and
Exchange Commission on December 8, 2000**

Registration No. 333-34770

**SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

Amendment No. 3
to

**Form S-1
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933**

PaeTec Corp.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other
jurisdiction of
incorporation or
organization)

4813
(Primary Standard
Industrial
Classification Code
Number)

16-1551094
(I.R.S. Employer
Identification Number)

290 Woodcliff Drive
Fairport, New York 14450
(716) 340-2500

(Address, including zip code, and telephone number,
including area code, of registrant's principal executive offices)

Daniel J. Venuti, Esq.
Executive Vice President and General Counsel
PaeTec Corp.

290 Woodcliff Drive
Fairport, New York 14450
(716) 340-2500

(Name, address, including zip code, and telephone number,
including area code, of agent for service)

Copies to:

Richard J. Parrino, Esq.
Charles E. Sieving, Esq.
Hogan & Hartson L.L.P.
8300 Greensboro Drive
McLean, Virginia 22102
(703) 610-6100

Robert Evans III, Esq.
Shearman & Sterling
599 Lexington Avenue
New York, New York 10022
(212) 848-4000

Network Connection Services

We have developed, installed and continue to invest in an advanced data- ready network that facilitates delivery of our services. We connect our customers to our network through an expanding variety of technologies. We have initially adopted a cost-effective network deployment strategy in which we combine

28

telephone and data transmission lines we lease with other electronic network components we own and operate. This strategy provides us with control over the quality of our service offerings, reduces our capital investments and allows us to bring our services more quickly to market. When appropriate to support our growth, we negotiate leases of telephone and data transmission lines with specified volumes and lease durations to reduce costs. For example, we have recently entered into 15-year lease with Global Crossing Bandwidth, Inc. for 24 million fiber circuits. We expect that this long-term lease will reduce our transport costs. When it becomes economically attractive for us to do so, we expect to purchase and operate some of the telephone and data transmission lines we need to operate our business.

We currently obtain most of the digital telephone and data transmission lines which connect our customers to our network from the regional Bell telephone companies or from other communications providers such as AT&T, Worldcom and Time Warner Telecom Inc. These connections provide our customers with 24 available channels over which we can provide our core voice and data services. Our strategy is to form relationships with multiple providers of the communications lines we need to improve service reliability through alternative network paths and to lower our costs through competitive procurement. Our membership in the Associated Communications Companies of America, an 11-member buying consortium, provides us with additional opportunities to benefit from competitive pricing from multiple suppliers. Members of this consortium include Qwest Communications International, Inc., Broadwing, Inc., McLeodUSA Incorporated and ITC/DeltaCom, Inc. By participating in this buying consortium, we estimate that we reduce our overall cost of providing services by at least 5%.

We are increasingly using newer connection methods such as digital subscriber line, or DSL, technology, which offer attractive pricing and are growing rapidly in accessibility. DSL technology reduces the bottleneck in the transport of information, particularly for data services, by increasing transmission speed and the data-carrying capacity of copper telephone lines. We have signed agreements with DSL providers that allow us to offer DSL service in all of our current markets, and are seeking

agreements with other DSL providers to cover the remaining markets that we plan to enter. We currently offer our core data and Internet access services through DSL technology under these agreements. In the near future, when the technology has more fully developed, we plan to offer core voice services using DSL technology. Compared to traditional digital network connections, our DSL arrangements allow us to connect customers to our network more quickly and at a lower cost. In selected target markets, we will construct our own DSL connections where we believe this strategy is justified by a known customer base and favorable competitive conditions.

We plan to use wireless network connection methods, primarily for Internet access, as another low-cost alternative to traditional digital lines. We have formed a relationship with CyberTech Wireless, Inc., a fixed wireless carrier based in Rochester, New York, to provide wireless services in upstate New York markets, and anticipate expanding the relationship into additional cities in the remainder of 2000 and in 2001. We are a 12% stockholder of CyberTech Wireless. We will evaluate additional relationships of a similar nature as part of our plan to gain wireless access alternatives in all of our current and prospective markets.

Core Voice and Data Services

We offer a range of core communications services to the customers connected to our network. Our current core services include voice services, such as local dial tone services, domestic and international long distance services and calling card services, as well as data services, such as Internet access services and outsourced private networking services. As our network evolves, we will continue to expand these service offerings, which we expect will include advanced technologies that will allow us to transmit voice conversations over a data network.

Local Telephone Services.

Our local telephone services include basic local dialtone service, as well as enhanced services such as call waiting, call forwarding, call return and caller ID. We also receive revenues from originating and terminating local voice and Internet traffic of other communications companies with customers on our network. As of September 30, 2000, we had entered into interconnection agreements with regional Bell operating companies or other large local telephone companies operating in our markets. These agreements allow us to interconnect our network with the networks of those companies to offer local telephone

services in 13 states and the District of Columbia and enable us to enter new markets with minimal capital expenditures.

Long Distance Services.

We offer a full range of basic long distance services. These include services that originate and terminate within the same local transport area and in different local transport areas, international services, 1+ outbound services and 800/888/887 inbound toll-free services. We also offer ancillary long distance services such as operator assistance, calling cards and pre-paid long distance. We provide our own dedicated long distance services to customers connected to our network. We also have entered into a partnership agreement to resell the long distance services of

Frontier Corporation, a subsidiary of Global Crossing, Ltd., to customers that are not connected to our network. Internet Connectivity and Data Networking Services.

We offer our customers an expanding suite of Internet connectivity and data networking services. Our goal is to provide end-to-end value-added networking solutions which are customized to meet specific customer needs. We currently offer the following data services:

- . High-speed dedicated Internet access services. We offer integrated voice and Internet access over a single digital line and very high speed Internet services over multiple digital lines. With this service, our customers are able to obtain voice and Internet services at competitive prices from a single source. We plan to expand our Internet access offerings by the end of 2000 to include even higher speed services over leased optical circuits or leased digital lines.

- . High-speed DSL-based Internet services. We offer DSL-based Internet services to business and institutional customers through partnerships with national and regional DSL providers. These services afford low- cost Internet access and provide high-speed connectivity for businesses operating outsourced, or "virtual," networks.

- . Virtual private network services. We offer these services to businesses seeking a cost-effective means of creating their own secure networks. These networks link multiple customer locations by using computer software to dedicate circuits solely for the customer's use instead of building a physical circuit to the customer. Businesses generally use these services to create a secure, outsourced network, commonly known as a virtual private network, for communicating and conducting business with their employees, customers and suppliers.

- . Campuslink-managed services. Through our Campuslink unit, we manage the provision of high-speed communications services, including high- speed Internet access and enhanced voice and video services, at universities and private student housing complexes to over 26,000 college students who use the Internet to access research materials, lectures and other online educational resources. Student networks, which we manage from Campuslink's central network operations center in Ann Arbor, Michigan, typically employ advanced technologies from Cisco Systems, Inc. and other major providers.

Networks for Planned Communities.

In Los Angeles, at Playa Vista, one of the nation's largest urban planned communities, we plan, beginning in mid-2001, to provide high-speed Internet access, as well as other value-added voice and video services, to over 10,000 residents and businesses. We are marketing our services to other large, planned community developments that we believe intend to offer these services to their members.

of these "line sharing" rules is that the same telephone line can carry both voice and data traffic simultaneously and potentially by different service providers, which

enables competitive entrants like PaeTec to provide DSL service at a significantly reduced cost.

Federal Regulation of Interconnection Agreements. In connection with offering local telephone services, we are a party to interconnection agreements with the following incumbent carriers:

- . Frontier Corporation, now a subsidiary of Global Crossing Ltd., for our upstate New York markets;

- . Southern New England Telephone, now a subsidiary of SBC Communications, for our Connecticut markets;

- . Verizon Communications, for our markets in Virginia, Maryland, the District of Columbia, Delaware, Pennsylvania, New Jersey, New York, Rhode Island, Massachusetts, New Hampshire and Vermont;

- . BellSouth, Vista-United Communications and Sprint United Communications, for our Florida markets; and

- . Pacific Bell, a subsidiary of SBC Communications, for our California markets.

Each interconnection agreement allows us to enter new markets and to offer telephone service to our current customer base. Each agreement currently permits us to provide local service on a resale basis or by purchasing all unbundled network elements required to provide local service on a facilities basis, without using our own telecommunications facilities. The terms of each interconnection agreement, including pricing terms agreed to by PaeTec and the incumbent carrier, have been approved by state regulatory authorities, although they remain subject to review and modification by those authorities. The interconnection agreements do not resolve all operational issues, and we and the incumbent carriers continue to seek resolution of those issues.

<http://www.state.vt.us/psb/orders/document/6313fnl.pdf>

The proposed transaction will promote the public good, because the indirect, minority transfer of control of PaeTec from PaeTec Corp. to Madison Dearborn Partners, Inc. and the Blackstone Group, will allow the petitioner to operate in a more flexible manner. In the competitive arena of telecommunications, the overall effect of this merger may promote more customer choice in terms of services, with stronger competitors in the Vermont telecommunications market. It should also be noted that the transfer of control will not have an adverse impact on Vermont consumers as PaeTec will continue to operate according to its present authority.

For all of the above reasons, the proposed indirect transfer of control of PaeTec, through the above described equity offering, should be approved.

ORDER IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The minority transfer of control of PaeTec Communications, Inc. from PaeTec Corp., to Madison Dearborn Partners, Inc. and Blackstone Group, is approved.

<http://www.ftc.gov/bc/earlyterm/2000/02/et000202.htm>

Transaction Number:	20001440
Early Termination Date:	02/02/2000
Acquiring Person:	Blackstone CCC Capital Partners L.P.
Acquired Person:	Arunas A. Chesonis
Acquired Entity:	PaeTec Corp.
Transaction Number:	20001441
Early Termination Date:	02/02/2000
Acquiring Person:	Madison Dearborn Capital Partners III, L.P.
Acquired Person:	Arunas A. Chesonis
Acquired Entity:	PaeTec Corp.

http://www.blackstone.com/team/pdfs%5CReid_Robert.pdf

Robert Reid is an Associate in the Private Equity group. Since joining Blackstone in 1998, Mr. Reid has been involved in the execution of Blackstone's investments in **Centennial Communications = Citizens = Adelphia**, FiberNet, **PaeTec**, Knology, Utilicom Networks, Western Integrated Networks, Crowley Wireless, and Crowley Digital Wireless. Prior to joining Blackstone, Mr. Reid worked in the Investment Banking Division of Morgan Stanley & Co. Mr. Reid received an AB in Economics from Princeton University where he graduated *magna cum laude*.

Attachment C.1

The following companies are under investigation by a law firm for Securities Fraud, however, this same list of companies are being investigated by our group and D&O insurers for RICO litigation. The ones highlighted in blue are having RICO actions prepared at this time.

Parker & Waichman Attorneys and Counselors at Law. MANHATTAN OFFICE 233 Broadway
38th Floor New York, NY 10279 Phone: 212.267.6700, LONG ISLAND OFFICE 111 Great ...

EXCITE@HOME (ATHM)

EXODUS (EXDS)

GLOBAL CROSSINGS (GBLX, GBLXE)

INTERNET CAPITAL GROUP (ICGE)

IVILLAGE (IVIL)

LYCOS (LCOS)

MERRILL LYNCH FOCUS 20

MERRILL LYNCH INTERNET INFRASTRUCTURE HOLDERS/SM TRUST

ADELPHIA BUSINESS SOLUTIONS (ABZPQ)

AIRNET COMMUNICATIONS CORP (ANCC)

ALLEGIANCE TELECOM INC. (ALGX)

AMERICAN TOWER CORP (AMT)

AMERICAN TOWER CORP (AMT)

CITIZENS COMMUNICATIONS CORP (CZN)

CHARTER COMMUNICATIONS

FLAG TELECOM (FTHL)

FOCAL COMMUNICATIONS CORP (FCOM,FCLO)

GILAT COMMUNICATIONS LTD. (GILTF)

GILAT SATELLITE NETWORKS LTD (GILTF)

GLOBAL CROSSINGS LTD (GBLXQ)

GLOBAL CROSSINGS LTD (GBLXQ.PK)

ASIA GLOBAL CROSSING

IRIDIUM WORLD COMMUNICATIONS (IRIDQ)

LAIDLAW

LEVEL 3 COMMUNICATIONS INC (LVLT)

LOEWEN CORPORATION

LTV STEEL

MCCRORYS

MCLEOD USA INC (MCLDQ)

METROMEDIA FIBER NETWORK (MFNXQ.PK)

SAMSONITE

SBA COMMUNICATIONS (SBAC)

SBC COMMUNICATIONS (SBC)

TELEFONOS DE MEXICO SA DE CV (TMXLF.PK) (TFONY) (TMX)

TELIGENT INC (TGNTQ.PK)

UNICAPITAL

VERIZON (V)

VIATEL INC (VYTLQ)

WHEELING PITTSBURGH

WILLIAMS COMMUNICATIONS GROUP (WCGRP)
WINSTAR COMMUNICATIONS INC (WCIIM.PK) (WCIIQ.PK)
WORLDCOM (WCOM)
XM SATELLITE RADIO HLDG INC (XMSR)
XO COMMUNICATIONS (XOXO)

Attachment C.2

http://biz.yahoo.com/tsp/021002/10045584_1.html

RealCommentary from TheStreet.com

Charter Drifts Toward Bankruptcy

Wednesday October 2, 1:39 pm ET

By James J. Cramer,

Is there enough Charter in **Charter** (NasdaqNM:[CHTR](#) - [News](#)) to keep Paul Allen interested? Is the \$500 million in common stock significant enough?

At what point does it just seem like one of those "cut your losses" situations for this billionaire? At what point does it make sense to Chapter 11 the darned thing, cut the debt and start all over again?

This deal involved Blackstone, Blackstone partner Bresnan and others in a roll up of multiple cable companies. Part of the financing was in cumulative convertible preferred that is being shorted to drive down the stock now for bankruptcy, blow out of the common shareholders and abuse of most creditors.

Creditors rights has become abuse of investors in the capital markets and we know who is doing it.

Attachment C.3

In March 2000, a Global Crossing deal was completed involving 10,000,000 shares of Cumulative Convertible Preferred and 31,200,000 shares of common stock. Stated within the SEC S-3, Global Crossing was not receiving any proceeds from the offering. At the stock price of that date, approximately \$1.3 to \$1.4 billion was raised. Since the Company did not receive any funds from the offering, it begs the question as to "What was the PURPOSE of the offering?"

This same basic group was involved in the Charter Communications deal that is apparently now on the ropes and bankruptcy being discussed. Arkansas State Teachers Retirement System joined Arkansas PERS in the Charter Communications deal.

This is an except from the RICO action:

In addition to the Global Crossing transaction that netted no funds for the company [emphasis added], these same Democratic donors were cut into deals involving Transwitch, Nortel, Nextel, Earthweb, and Charter Communications.

The following is a list of firms, persons and entities that were allowed into the Global Crossing deal March 16, 2000:

Onex Industrial Partners Limited	5,000 11,111.00
Boulder II Limited	10,000 22,222.00
See Ledecy - UniCapital - Blackstone Count	

Bear, Stearns & Co. Inc.	185,000 411,107.00
White River Securities LLC	185,000 411,107.00
(Yan Erlikh)	
JMG Capital Partners, LP	50,000 111,110.00
(Jonathan M. Glaser)	
JMG Triton Offshore Fund, Ltd.	75,000 166,665.00
(Jonathan M. Glaser)	

Jonathan	Glaser
Co-Owner,	Pacific Asset Management, LLC
Founder,	Triton JMG Capital Management, LLC

Pacific Asset Management = former Gary Winnick partner.

Jonathan has engaged in securities investments and trading since 1987, when he formed Glaser & Company, a California limited partnership. Glaser & Company acted as a broker-dealer and market maker on the Pacific Exchange and American Stock Exchange. The company ceased active operations in early 1992 when Mr. Glaser formed JMG Capital partners, LP, the investment partnership he currently operates.

Goldman Sachs and Company	9,915 22,033.11
GEM Convertible Securities Partners, L.P.	39,200 87,110.24

Alscott Investments, LLC.	31,000 68,888.20
Allegheny Teledyne Inc. Pension Plan (Gerald B. Unterman)	57,300 127,332.06
Colgate-Palmolive Company Retirement Trust (Gerald B. Unterman)	19,100 42,444.02
Delta Airlines Inc. Retirement Plan	106,000 235,553.20
Golden Rule Insurance Company (Gerald B. Unterman)	14,800 32,888.56
Golden Rule Financial Corporation (Gerald B. Unterman)	22,200 49,332.84
L.A. Fire and Police Pension Fund	238,000 528,883.60
Mark IV Industries, Inc. and Subsidiaries Master Trust	10,000 22,222.00
State of Maryland Retirement Plan (Gerald B. Unterman)	82,000 182,220.40
Pitney Bowes Retirement Fund	70,400 156,442.88
Boilermakers Blacksmith Pension Trust	8,250 18,333.15
FROLEY REVY CLIENT	
State of Oregon Equity	57,600 127,998.72
FROLEY REVY	
Nalco Chemical Company	2,450 5,444.39
FroleY Revy CLIENT (George A. FroleY III/Andrea O'Connell/James Barry/Ravi Malik)	
Arkansas PERS	11,375 25,277.53
FROLEY REVY CLIENT	
ICI American Holdings Trust	5,275 11,722.11
Apparently WILLIAM S. LERACH, of Milberg, Weiss, Bershad Hynes & Lerach, major donors to DNC, \$1.96 million 1993-1997 and more after that.	
FroleY Revy CLIENT (George A. FroleY III/Andrea O'Connell/James Barry/Ravi Malik)	
Zeneca Holdings Pension Trust	7,050 15,666.57
FroleY Revy CLIENT (George A. FroleY III/Andrea O'Connell/James Barry/Ravi Malik)	
Delaware PERS	11,100 24,666.42
(George A. FroleY III/Andrea O'Connell/James Barry/Ravi Malik)	
PRIM Board	17,575 39,055.17
Paloma Strategic Securities Limited (S. Donald Sussman)	122,500 272,219.50
Paloma Securities LLC (S. Donald Sussman)	122,500 272,219.50
Arkansas PERS	16,075 35,721.87
FROLEY REVY CLIENT	
ICI American Holdings Trust	7,300 16,222.06
FroleY Revy CLIENT (George A. FroleY III/Andrea O'Connell/James Barry/Ravi Malik)	
Zeneca Holdings Pension Trust	7,050 15,666.51
FROLEY REVY CLIENT (George A. FroleY III/Andrea O'Connell/James Barry/Ravi Malik)	
Delaware PERS	15,300 33,999.66
(George A. FroleY III/Andrea O'Connell/James Barry/Ravi Malik)	
PRIM Board	24,625 54,721.68
Boilermakers Blacksmith Pension Trust	11,540 25,644.19
FROLEY REVY	

State of Oregon Equity	57,600 127,998.72
FROLEY REVY	
Nalco Chemical Company	3,010 6,688.82
FROLEY REVY CLIENT	
(George A. Frolely III/Andrea O'Connell/James Barry/Ravi Malik)	
Black Diamond Offshore Ltd.	15,055 33,455.22
Merrill Lynch Offshore	
Double Black Diamond Offshore LDC	41,205 91,565.75
Merrill Lynch Offshore	
Bank of America	434,110 964,679.24
(Jonathan Sandelman)	
Alta Partners Holdings, LDC	140,000 311,108.00
Fidelity Financial Trust: Fidelity Convertible Securities Fund	36,000 79,999.20
Edward Johnson III, chairman	
Sunrise Partners LLC	50,000 111,110.00
Apparently a Houlihan Lokey Fund	
Q Investments, L.P.	23,500 52,221.70
Bass Brothers	
R/2/ Investments, LDC	871,500 1,936,647.30
Former Bass Brothers Executive Rainwater / Darla Moore	
Q Opportunity Fund Ltd.	625,000 1,388,875.00
Bass Brothers	
Alexandra Global Investment Fund I Ltd.	10,000 22,222.00
Dimitri Sogoloff, principal of New York-based Alexandra Investment Management,	
Prim Board	38,500 85,554.70
Merrill Lynch, Pierce, Fenner & Smith Inc	58,086 129,078.71
(Val Mihan)	
Hamilton Partners Limited	50,000 111,110.00

After these Global Crossing stock shares, both 10,000,000 shares of cumulative convertible preferred and 31,200,000 shares of common, the deal was "repositioned" yet again to include the following persons, entities and firms:

Morgan Stanley Dean Witter	71,500 158,887.30
Granville Capital Corporation	80,000 177,776.00
(George Soros/Stanley Druckenmiller)	
BNP Arbitrage SNC	100,000 222,220.00
(Greg Levinson)	
Sage Capital	15,000 33,333.00
See list of Blackstone Partners – Robert L. Friedman.	
Value Line Convertible Fund, Inc	5,000 11,111.00
Rhapsody Fund, LP	22,900 50,888.38
Investcorp SAM Fund Limited	110,300 245,108.66
Arpeggio Fund, LP	12,400 27,555.28
Gryphon Domestic III, LLC	60,706 134,900.87
California Public Employees' Retirement System	

	120,000	266,664.00
General Motors Employees Global Group Pension Trust		
	12,500	27,777.50
(Peter D. Luke)		
Allstate Insurance Company	34,000	75,554.80
(David V. Goacher)		
Value Line Convertible Fund, Inc	5,000	11,111.00
ECT Investments, Inc	105,000	233,331.00
Joseph J. Hoyt	300	666.66
Elizabeth Pickford Schreiber	100	222.22
John Blystone Pickford II	100	222.22
Thomas M. Hoyt	100	222.22
Louise Martin Pickford	100	222.22
UBS AG London Branch	182,500	405,551.50
UBK Arbitrage Fund	10,000	22,222.00
Mainstay Strategic Value Fund	1,000	2,222.20
Mainstay Convertible Fund	2,000	4,444.40
New York Life Separate Account #7	16,000	35,555.20
Brown & Williamson Tobacco Master Retirement Trust	2,000	4,444.40
Delta Airlines Master Trust	34,300	76,221.46
Van Waters Rogers, Inc. Retirement Plan (f.k.a. Univar Corporation)		
	5,000	11,111.00
Port Authority of Allegheny County Retirement and Disability Allowance Plan for the Employees Represented by Local 85 of the Amalgamated Transit Union	18,700	41,555.14
Champion International Corporation Master Retirement Trust		
	15,000	33,333.00
The Dow Chemical Company Employees' Retirement Plan		
	35,000	77,777.00
Genesee County Employees' Retirement System	2,000	4,444.40
This is Rochester NY area, same a FRONTIER COMM		
Associated Electric & Gas Insurance Services Limited	17,000	37,777.40
Southern Farm Bureau Life Insurance Company	6,000	13,333.20
FROLEY REVY CLIENT		
(Jennifer Leichter/Rosemary Thomsen/ Robert Paine)		
Dorinco Reinsurance Company	6,250	13,888.75
City of Knoxville Pension System	5,500	12,222.10
Macomb County Employees' Retirement System	1,500	3,333.30
This is Rochester, NY area, same as FRONTIER COMM		
CALAMOS Convertible Portfolio—CALAMOS Advisor Trust		
	210	466.66
(John P. Calamos/John P. Calamos Jr./Nick Calamos)		
Knoxville Utilities Board Retirement System	3,400	7,555.48
Boilermaker-Blacksmith Pension Trust	17,590	39,088.50
FROLEY REVY CLIENT		
United Food and Commercial Workers Local 1262 and Employers Pension Fund	7,600	16,888.72
Greek Catholic Union	150	333.33
Greek Catholic Union II	300	666.66
Unifi, Inc. Profit Sharing Plan and Trust	1,800	3,999.96
Kettering Medical Center Funded Depreciation Account	1,150	2,555.53
SPT	14,500	32,221.90

The Fondren Foundation	1,125	2,499.98
CALAMOS Convertible Fund—CALAMOS Investment Trust	20,700	45,999.54
(John P. Calamos/John P. Calamos Jr./Nick Calamos)		
CALAMOS Growth and Income Fund—CALAMOS Investment Trust	4,700	10,444.34
(John P. Calamos/John P. Calamos Jr./Nick Calamos)		
CALAMOS Global Growth and Income Fund—CALAMOS Investment Trust	1,300	2,888.86
(John P. Calamos/John P. Calamos Jr./Nick Calamos)		
Bankers Trust	265	588.88
Firststar	5,600	12,444.32
McDonald	35	77.78
Tucker Anthony	165	366.66
Northern Trust	220	488.88
Mercantile	355	788.88
Smith Barney	1,060	2,355.53
State Street	2,050	4,555.51
Bank of NY	760	1,688.87
Chase	795	1,766.65
First Union	6,345	14,099.86
Fleet	165	366.66
Mellon	1,245	2,766.64
Northern Trust	2,075	4,611.07
McMahan Securities Company, L.P	10,000	22,222.00
(Ronald Fertig)		
Argent Classic Convertible Arbitrage Fund L.P.	80,000	177,776.00
Onyx Fund Holdings, LDC	20,000	44,444.00
BNP Arbitrage SNC	100,000	222,220.00
(Greg Levinson)		
Argent Classic Convertible Arbitrage Fund (Bermuda) L.P	250,000	555,550.00

Highbridge International LLC 440,200 978,212.44
Offshore fund, Cayman Islands, one of the Adelphia
Official Shareholders Committee with Dr. Leonard Tow
and Scott Schneider fronting for Blackstone.

Jay B. Mitchell IRA	400	888.88
Jerry A. Rogovin IRA	300	666.66
Upper Merion Township Police Pension Plan	1,500	3,333.30
Rochester, NY area, same as FRONTIER COMM		
Irwin Edward Robinson	200	444.44
Newtown/CPC Hourly Plan	150	333.33
Newtown/CPC Salaried Plan	200	444.44
Visiting Nurse Association of York County	1,000	2,222.20
Rochester, NY area, same as FRONTIER COMM		
I. Robert Goodman U/W Jerome Goodman	200	444.44
Alice H. Goodman, TTEE, Alice H. Goodman Estate Planning Trust		
	400	888.88
Ross and Grace Pierpont Irrevocable Trust	300	666.66

Jane King Reid	150 333.33
Nancy Weil Korach-Inc	200 444.44
Roland Park Country School Endowment Fund	3,000 6,666.60
Children's Fresh Air Society of the Baltimore Community Foundation	300 666.66
St. Paul's School Endowment Fund	1,000 2,222.20
Endowment Fund of the University of Maryland	1,000 2,222.20
Keswick Endowment Fund	500 1,111.10
Dr. Morton F. Goldberg	200 444.44
Myrna Goldberg	100 222.22
Caroline Norden	600 1,333.32
Evelyn Samler Trust Under Will	300 666.66
Joseph J. Katz	800 1,777.76
Center Stage Endowment Fund	500 1,111.10
York Building Products Co., Inc. Profit Sharing Trust	2,000 4,444.40
Stewart & Tate, Inc. Employees' Profit Sharing Trust	400 888.88
Collins Lithographing, Inc. Profit Sharing Trust	200 444.44
Enoch Pratt Free Library Endowment Fund A	800 1,777.76
Church of the Redeemer Endowment Fund	200 444.44
Church of the Redeemer Heritage Trust	150 333.33
Ronald M. Wilner IRA	150 333.33
Woodbourne Foundation, Inc	500 1,111.10
American Stone-Mix, Inc.—Salaried	500 1,111.10
American Stone-Mix, Inc.—Hourly	500 1,111.10
Lewis M. Hess	200 444.44
Arthroscopy Assoc. of No. America—Research	200 444.44
Arthroscopy Assoc. of No. America—General	250 555.55
Arthroscopy Assoc. of No. America—Journal	50 111.11
The Goodman Group, Inc. Profit Sharing Trust	200 444.44
Jane S. Baum	200 444.44
National Arts Stabilization Endowment	500 1,111.10
Lineberger Foundation of Oregon	100 222.22
Jerome Lapides	1,000 2,222.20
Jerome Lapides IRA	200 444.44
Drs. Beltran Koh & Wei Anesth PA MP & PST	2,000 4,444.40
Clements Family Trust	100 222.22
Child Welfare League—Endowment	400 888.88
Child Welfare League of America—Pension	200 444.44
Norman J. Glick IRA	300 666.66
Richard N. Pridgeon IRA	200 444.44
California Public Employees' Retirement System	120,000 266,664.00
UBS AG London Branch	182,500 405,551.50
(Dan Coleman)	
Kellner, DiLeo & Co	25,000 55,555.00
We have found ties on this group back to Rochester, NY	
LB Series Fund, Inc., High Yield Portfolio	12,000 26,666.40
President and Fellows of Harvard College	40,000 88,888.00
Bank of America Securities LLC	404,200 898,213.24
(Jonathan Sandelman)	
J.P. Morgan Securities Inc.	209,470 465,484.23
Scudder Dividend and Growth Fund	3,000 6,666.60

Provident Life and Accident Insurance Company	60,000	133,332.00
SunAmerica Series Trust, on behalf of its Federated Utility Portfolio		
	2,500	5,555.50
Federated Insurance Series, on behalf of its Federated Utility Fund II		
	4,000	8,888.80
Federated Utility Fund, Inc.	30,000	66,666.00
Allstate Insurance Company (David V. Goacher)	50,000	111,110.00
President 2nd Fellows of Harvard College	40,000	88,888.00
See Harvard, purchase of White River Corporation		
Tribeca Investments LLC	395,000	877,769.00
Tribeca Investments LLC, a subsidiary of the Travelers Group (Allan Tett)		
Chartwell	20,000	44,444.00
Scudder Dividend and Growth Fund	3,000	6,666.60
Provident Life and Accident Insurance Company	60,000	133,332.00
Forrestal Funding Master Trust	97,500	216,664.50
Deutsche Bank Securities Inc. (Penry Jackson)	1,573,400	3,496,409.48
Boulder Capital Inc.	5,000	11,111.00
See Ledecy - UniCapital - Blackstone Financial Advisors		
Onex Industrial Partners Limited	5,000	11,111.00
Boulder II Limited	10,000	22,222.00
See Ledecy - UniCapital - Blackstone Financial Advisor, tied back to Blue Ridge Investors, LLC and Geneva Merchant Bank, Asheville, NC and ties to former Dean of Business School, Wake Forest.		
Bear, Stearns & Co. Inc.	185,000	411,107.00
White River Securities LLC	185,000	411,107.00
See White River Corporation, purchased by HARVARD. White River and White River Offshore are Bear Stearns managed and Bear Stearns is an advisor to Arkansas PERS.		
(Yan Erlikh)		
JMG Capital Partners, LP (Jonathan M. Glaser)	50,000	111,110.00
JMG Triton Offshore Fund, Ltd. (Jonathan M. Glaser)	75,000	166,665.00
Goldman Sachs and Company	9,915	22,033.11
GEM Convertible Securities Partners, L.P.	39,200	87,110.24
Alscott Investments, LLC	31,000	68,888.20
Allegheny Teledyne Inc. Pension Plan (Gerald B. Unterman)	57,300	127,332.06
Colgate-Palmolive Company Retirement Trust (Gerald B. Unterman)	19,100	42,444.02
Delta Airlines Inc. Retirement Plan	106,000	235,553.20
Golden Rule Insurance Company (Gerald B. Unterman)	14,800	32,888.56

Golden Rule Financial Corporation (Gerald B. Unterman)	22,200 49,332.84
L.A. Fire and Police Pension Fund	238,000 528,883.60
Mark IV Industries, Inc. and Subsidiaries Master Trust	10,000 22,222.00
State of Maryland Retirement Plan (Gerald B. Unterman)	82,000 182,220.40
Pitney Bowes Retirement Fund	70,400 156,442.88
Boilermakers Blacksmith Pension Trust	8,250 18,333.15
FROLEY REVY CLIENT	
State of Oregon Equity	57,600 127,998.72
FROLEY REVY CLIENT	
Nalco Chemical Company	2,450 5,444.39
FROLEY REVY CLIENT (George A. Frolely III/Andrea O'Connell/James Barry/Ravi Malik)	
Arkansas PERS	11,375 25,277.53
FROLEY REVY CLIENT	
ICI American Holdings Trust	5,275 11,722.11
FROLEY REVY CLIENT (George A. Frolely III/Andrea O'Connell/James Barry/Ravi Malik)	
Zeneca Holdings Pension Trust	7,050 15,666.57
FROLEY REVY CLIENT (George A. Frolely III/Andrea O'Connell/James Barry/Ravi Malik)	
Delaware PERS	11,100 24,666.42
(George A. Frolely III/Andrea O'Connell/James Barry/Ravi Malik)	
PRIM Board	17,575 39,055.17
Paloma Strategic Securities Limited (S. Donald Sussman)	122,500 272,219.50
Paloma Securities LLC (S. Donald Sussman)	122,500 272,219.50
Arkansas PERS	16,075 35,721.87
FROLEY REVY CLIENT	
ICI American Holdings Trust	7,300 16,222.06
FROLEY REVY CLIENT (George A. Frolely III/Andrea O'Connell/James Barry/Ravi Malik)	
Zeneca Holdings Pension Trust	7,050 15,666.51
FROLEY REVY CLIENT (George A. Frolely III/Andrea O'Connell/James Barry/Ravi Malik)	
Delaware PERS	15,300 33,999.66
(George A. Frolely III/Andrea O'Connell/James Barry/Ravi Malik)	
PRIM Board	24,625 54,721.68
Boilermakers Blacksmith Pension Trust	11,540 25,644.19
FROLEY REVY CLIENT	
State of Oregon Equity	57,600 127,998.72
FROLEY REVY CLIENT	
Nalco Chemical Company	3,010 6,688.82
FROLEY REVY CLIENT (George A. Frolely III/Andrea O'Connell/James Barry/Ravi Malik)	
Black Diamond Offshore Ltd.	15,055 33,455.22
Double Black Diamond Offshore LDC.	41,205 91,565.75
Bank of America (Jonathan Sandelman)	434,110 964,679.24
Alta Partners Holdings, LDC	140,000 311,108.00

Fidelity Financial Trust: Fidelity Convertible Securities Fund	36,000 79,999.20
Sunrise Partners LLC.	50,000 111,110.00
VERIFY IF THIS IS HOULIHAN LOKEY	
Q Investments, L.P.	23,500 52,221.70
BASS BROTHERS	
R/2/ Investments, LDC	871,500 1,936,647.30
BASS BROTHERS FORMER EXEC	
Q Opportunity Fund Ltd.	625,000 1,388,875.00
BASS BROTHERS	
Involved in Global Crossing and WCG	
Alexandra Global Investment Fund I Ltd.	10,000 22,222.00
Dimitri Sogoloff, principal of New York-based Alexandra Investment Management,	
Prim Board	38,500 85,554.70
Merrill Lynch, Pierce, Fenner & Smith Inc.	58,086 129,078.71
(Val Mihan)	
Hamilton Partners Limited.	50,000 111,110.00

What is most notable about this list is that we have found only one Republican donor in an election year deal that produced no funds for Global Crossing.

University of Rochester has been involved in many deals similar to the above.

Wake Forest University has been involved in many such deals too.

Compare the valuations on this list to those on Attachments D.1 through D.14.

Many of the funds listed above are offshore hedge funds.

Some of the groups listed above are either headed by or employ former Milken co-defendants. See PaeTec SEC Document, Attachment B.2. Mr. Kline is a former Michael Milken co-defendant.

Mssrs. Leon Black and John Hannan of Blackstone are former Michael Milken co-defendants.

Attachments D.1 through D.14

[THE FOLLOWING ATTACHMENTS REPRESENT “ARTIFICIAL CONTROL” HOLDINGS IN GLOBAL CROSSING AND ASIA GLOBAL CROSSING BY THE SAME CREDITORS THAT DO NOT WANT ANYONE TO PERFORM A FULL DUE DILIGENCE ON GLOBAL CROSSING AND WHY IT FAILED, WHAT TO DO ABOUT IT IN RESTRUCTURING AND WHO PROFITTED FROM IT.

THESE PARTIES ARE NAMED DEFENDANTS IN THE RICO ACTIONS WE ARE BRINGING.

INVESTORS AND SHAREHOLDERS ARE BEING ABUSED.

OFFSHORE HEDGE FUNDS ARE BEING USED TO ARTIFICIALLY INFLATE STOCK VALUATIONS TO LURE MONEY FROM UNSUSPECTING INVESTORS AND TO SELECTIVELY MELT COMPANIES DOWN FOR TAKEOVER.

DEATH SPIRAL FINANCING TECHNIQUES INTENDED TO FAVOR CREDITORS AND ABUSE INVESTORS ARE PRESENT IN MANY COMPANIES WITHOUT FULL DISCLOSURE TO THE PUBLIC.

WE HAVE IDENTIFIED NO LESS THAN TEN (10) FORMER MILKEN CO-DEFENDANTS THAT HAVE PROFITTED FROM AND MANIPULATED CERTAIN DEALS WITH GLOBAL CROSSING.

THE PUTS AND CALLS SHOWN BELOW ARE AN ARTIFICIAL MEANS OF CONTROL AND BLOCKING OUT OTHER PARTIES INCLUDING HIGHER PRICED BUYERS, SHAREHOLDERS AND CREDITORS THAT ARE NOT AMONG THE SELECT FEW.

All of the following should be read with these facts in mind:

Global Crossing shares are publicly trading at under 5 cents a share.

Global Crossing debt is publicly trading as well under the level these bond prices have been artificially inflated to in value.

These public “market makers” were not disclosing to the general public their preferential treatment of themselves while knowing the company was being artificially positioned for a cheap bankruptcy takeover.

Attachment D.1

AMER INTERNATIONAL GROUP I EQUITY	026874107	7107	92615 SH
DEFINED 4,5,6,8,10,15	92615 0 0		
AMER INTERNATIONAL GROUP I EQUITY	026874107	156713	2042130 SH
DEFINED 6,10,15	766124 585824 690182		
AMER INTERNATIONAL GROUP I OPTION	026874107	9040	117800 SH CALL
DEFINED 6,10,15	117800 0 0		
AMER INTERNATIONAL GROUP I OPTION	026874107	2901	37800 SH PUT
DEFINED 6,10,15	37800 0 0		
AMER INTERNATIONAL GROUP I EQUITY	026874107	8579	111789 SH
DEFINED 9,10,11,15	0 0 111789		
AMER INTERNATIONAL GROUP I EQUITY	026874107	4673	60900 SH
DEFINED 10,11,12,15	60900 0 0		
AMER INTERNATIONAL GROUP I EQUITY	026874107	821635	10706735 SH
DEFINED 16,26	9119275 1587460 0		
AMER INTERNATIONAL GROUP I EQUITY	026874107	68908	897935 SH
DEFINED 19,22,26,27	686642 0 211292		
AMER INTERNATIONAL GROUP I EQUITY	026874107	53568	698051 SH
DEFINED 20,22,26	698051 0 0		
AMER INTERNATIONAL GROUP I EQUITY	026874107	10814	140917 SH
DEFINED 22,26	140917 0 0		
AMER INTERNATIONAL GROUP I EQUITY	026874107	250	3260 SH
DEFINED 21,22,23,25,26	3260 0 0		
AMER INTERNATIONAL GROUP I OPTION	026874107	10744	140000 SH CALL
DEFINED 21,22,23,25,26	140000 0 0		
AMER INTERNATIONAL GROUP I OPTION	026874107	515693	6720000 SH PUT
DEFINED 21,22,23,25,26	6720000 0 0		
AMER INTERNATIONAL GROUP I EQUITY	026874107	20889	272200 SH
DEFINED 26	272200 0 0		
AMER INTERNATIONAL GROUP I EQUITY	026874107	1675143	21828805 SH
DEFINED 22,26,27	14862544 0 6966260		
AMER INTERNATIONAL GROUP I OPTION	026874107	3453	45000 SH CALL
DEFINED 22,26,27	45000 0 0		
AMER INTERNATIONAL GROUP I OPTION	026874107	5065	66000 SH PUT
DEFINED 22,26,27	66000 0 0		
AMER INTERNATIONAL GROUP I EQUITY	026874107	20856	271769 SH
DEFINED 6,10,15,28,29	271769 0 0		
AMER INTERNATIONAL GROUP I EQUITY	026874107	8354	108860 SH
DEFINED 30	0 108860 0		
AMER INTERNATIONAL GROUP I EQUITY	026874107	7704	100394 SH
DEFINED 22,25,26,31	100394 0 0		
AMER INTERNATIONAL GROUP I EQUITY	026874107	66695	869104 SH
DEFINED 2,17,18,32,35,36	869104 0 0		
AMER INTERNATIONAL GROUP I EQUITY	026874107	35856	467245 SH
DEFINED 26,37	467245 0 0		

Attachment D.2

----- Original Message -----

From: [s loomis j hovel](#)

To: [s loomis j hovel](#) ; [Fournier](#)

Cc: [KW.Schwarz@worldnet.att.net](#)

Sent: Wednesday, October 02, 2002 12:03 PM

Subject: Re: Yahoo! GX 13F-HR for CITIGROUP INC filed on 11/14/01 3:56:00 PM

MERRILL LYNCH & CO CV	CORPBOND	590188A65	114	234000	PRN
DEFINED	6,10,15	0 0	234000		
MERRILL LYNCH & CO CV	CORPBOND	590188A65	1149	2350000	PRN
DEFINED	16,26	2350000 0 0			
MERRILL LYNCH & CO CV	CORPBOND	590188A65	3117	6377000	PRN
DEFINED	22,26,27	6377000 0 0			
MERRILL LYNCH & CO CV	CORPBOND	590188A65	3658	7484000	PRN
DEFINED	2,17,18,32,35,36	7484000 0 0			
MERRILL LYNCH & CO CV	CORPBOND	590188A65	602	1231000	PRN
DEFINED	2,17,33,36	1231000 0 0			
MERRILL LYNCH & CO CV	CORPBOND	590188A65	7847	16055000	PRN
DEFINED	2,17,33,34,36	16055000 0 0			
MERRILL LYNCH & CO CV	CORPBOND	590188A65	6295	12880000	PRN
DEFINED	2,17,35,36	12880000 0 0			
MERRILL LYNCH & CO INC	EQUITY	590188108	5381	135540	SH
DEFINED	6,10,15	88945 1200 45395			
MERRILL LYNCH & CO INC	EQUITY	590188108	40	1000	SH
DEFINED	9,10,11,15	0 0 1000			
MERRILL LYNCH & CO INC	EQUITY	590188108	4466	112500	SH
DEFINED	10,11,12,15	112500 0 0			
MERRILL LYNCH & CO INC	EQUITY	590188108	391539	9862435	SH
DEFINED	16,26	8444611 1417824 0			
MERRILL LYNCH & CO INC	EQUITY	590188108	7479	188377	SH
DEFINED	19,22,26,27	131947 0 56429			
MERRILL LYNCH & CO INC	EQUITY	590188108	12470	314100	SH
DEFINED	20,22,26	314100 0 0			
MERRILL LYNCH & CO INC	EQUITY	590188108	1790	45100	SH
DEFINED	22,26	45100 0 0			
MERRILL LYNCH & CO INC	EQUITY	590188108	11025	277700	SH
DEFINED	26	277700 0 0			
MERRILL LYNCH & CO INC	EQUITY	590188108	394269	9931214	SH
DEFINED	22,26,27	5447280 0 4483933			
MERRILL LYNCH & CO INC	OPTION	590188108	19739	497200	SH CALL
DEFINED	22,26,27	496900 0 300			
MERRILL LYNCH & CO INC	OPTION	590188108	40	1000	SH PUT

DEFINED	22,26,27	1000	0	0		
MERRILL LYNCH & CO INC	EQUITY	590188108	11025	277700	SH	
DEFINED	6,10,15,28,29	277700	0	0		
MERRILL LYNCH & CO INC	EQUITY	590188108	1084	27300	SH	
DEFINED	30	0	27300	0		
MERRILL LYNCH & CO INC	EQUITY	590188108	674	16981	SH	
DEFINED	22,25,26,31	16981	0	0		
MERRILL LYNCH & CO INC	EQUITY	590188108	20984	528575	SH	
DEFINED	2,17,18,32,35,36	528575	0	0		
MERRILL LYNCH & CO INC	EQUITY	590188108	7083	178411	SH	
DEFINED	26,37	178411	0	0		
GOLDMAN SACHS GROUP INC	EQUITY	38141G104	616	8385	SH	
DEFINED	6,10,15	0	0	8385		
GOLDMAN SACHS GROUP INC	EQUITY	38141G104	6564	89300	SH	
DEFINED	10,11,12,15	89300	0	0		
GOLDMAN SACHS GROUP INC	EQUITY	38141G104	65797	895193	SH	
DEFINED	16,26	843136	52057	0		
GOLDMAN SACHS GROUP INC	EQUITY	38141G104	8132	110645	SH	
DEFINED	19,22,26,27	85299	0	25345		
GOLDMAN SACHS GROUP INC	EQUITY	38141G104	11319	154000	SH	
DEFINED	20,22,26	154000	0	0		
GOLDMAN SACHS GROUP INC	OPTION	38141G104	18375	250000	SH PUT	
DEFINED	21,22,23,25,26	250000	0	0		
GOLDMAN SACHS GROUP INC	EQUITY	38141G104	113305	1541567	SH	
DEFINED	22,26,27	1229792	0	311775		
GOLDMAN SACHS GROUP INC	OPTION	38141 G104	4410	60000	SH CALL	
DEFINED	22,26,27	60000	0	0		
GOLDMAN SACHS GROUP INC	OPTION	38141G104	47709	649100	SH PUT	
DEFINED	22,26,27	649100	0	0		
GOLDMAN SACHS GROUP INC	EQUITY	38141G104	728	9900	SH	
DEFINED	30	0	9900	0		
GOLDMAN SACHS GROUP INC	EQUITY	38141G104	43034	585490	SH	
DEFINED	2,17,18,32,35,36	585490	0	0		

Attachment D.3

MERRILL LYNCH & CO CV	CORPBOND	590188A65	114	234000	PRN	
DEFINED	6,10,15	0 0	234000			
MERRILL LYNCH & CO CV	CORPBOND	590188A65	1149	2350000	PRN	
DEFINED	16,26	2350000 0 0				
MERRILL LYNCH & CO CV	CORPBOND	590188A65	3117	6377000	PRN	
DEFINED	22,26,27	6377000 0 0				
MERRILL LYNCH & CO CV	CORPBOND	590188A65	3658	7484000	PRN	
DEFINED	2,17,18,32,35,36	7484000 0 0				
MERRILL LYNCH & CO CV	CORPBOND	590188A65	602	1231000	PRN	
DEFINED	2,17,33,36	1231000 0 0				
MERRILL LYNCH & CO CV	CORPBOND	590188A65	7847	16055000	PRN	
DEFINED	2,17,33,34,36	16055000 0 0				
MERRILL LYNCH & CO CV	CORPBOND	590188A65	6295	12880000	PRN	
DEFINED	2,17,35,36	12880000 0 0				
MERRILL LYNCH & CO INC	EQUITY	590188108	5381	135540	SH	
DEFINED	6,10,15	88945 1200 45395				
MERRILL LYNCH & CO INC	EQUITY	590188108	40	1000	SH	DEFINED
9,10,11,15	0 0	1000				
MERRILL LYNCH & CO INC	EQUITY	590188108	4466	112500	SH	
DEFINED	10,11,12,15	112500 0 0				
MERRILL LYNCH & CO INC	EQUITY	590188108	391539	9862435	SH	
DEFINED	16,26	8444611 1417824 0				
MERRILL LYNCH & CO INC	EQUITY	590188108	7479	188377	SH	
DEFINED	19,22,26,27	131947 0 56429				
MERRILL LYNCH & CO INC	EQUITY	590188108	12470	314100	SH	
DEFINED	20,22,26	314100 0 0				
MERRILL LYNCH & CO INC	EQUITY	590188108	1790	45100	SH	
DEFINED	22,26	45100 0 0				
MERRILL LYNCH & CO INC	EQUITY	590188108	11025	277700	SH	
DEFINED	26	277700 0 0				
MERRILL LYNCH & CO INC	EQUITY	590188108	394269	9931214	SH	
DEFINED	22,26,27	5447280 0 4483933				
MERRILL LYNCH & CO INC	OPTION	590188108	19739	497200	SH CALL	
DEFINED	22,26,27	496900 0 300				
MERRILL LYNCH & CO INC	OPTION	590188108	40	1000	SH PUT	
DEFINED	22,26,27	1000 0 0				
MERRILL LYNCH & CO INC	EQUITY	590188108	11025	277700	SH	
DEFINED	6,10,15,28,29	277700 0 0				
MERRILL LYNCH & CO INC	EQUITY	590188108	1084	27300	SH	
DEFINED	30	0 27300 0				
MERRILL LYNCH & CO INC	EQUITY	590188108	674	16981	SH	
DEFINED	22,25,26,31	16981 0 0				
MERRILL LYNCH & CO INC	EQUITY	590188108	20984	528575	SH	DEFINED
2,17,18,32,35,36	528575	0 0				
MERRILL LYNCH & CO INC	EQUITY	590188108	7083	178411	SH	
DEFINED	26,37	178411 0 0				

GOLDMAN SACHS GROUP INC	EQUITY	38141G104	616	8385 SH
DEFINED	6,10,15	0	0	8385
GOLDMAN SACHS GROUP INC	EQUITY	38141G104	6564	89300 SH
DEFINED	10,11,12,15	89300	0	0
GOLDMAN SACHS GROUP INC	EQUITY	38141G104	65797	895193 SH
DEFINED	16,26	843136	52057	0
GOLDMAN SACHS GROUP INC	EQUITY	38141G104	8132	110645 SH
DEFINED	19,22,26,27	85299	0	25345
GOLDMAN SACHS GROUP INC	EQUITY	38141G104	11319	154000 SH
DEFINED	20,22,26	154000	0	0
GOLDMAN SACHS GROUP INC	OPTION	38141G104	18375	250000 SH PUT
DEFINED	21,22,23,25,26	250000	0	0
GOLDMAN SACHS GROUP INC	EQUITY	38141G104	113305	1541567 SH
DEFINED	22,26,27	1229792	0	311775
GOLDMAN SACHS GROUP INC	OPTION	38141 G104	4410	60000 SH CALL
DEFINED	22,26,27	60000	0	0
GOLDMAN SACHS GROUP INC	OPTION	38141G104	47709	649100 SH PUT
DEFINED	22,26,27	649100	0	0
GOLDMAN SACHS GROUP INC	EQUITY	38141G104	728	9900 SH
DEFINED	30	0	9900	0
GOLDMAN SACHS GROUP INC	EQUITY	38141G104	43034	585490 SH
DEFINED	2,17,18,32,35,36	585490	0	0

Attachment D.4

----- Original Message -----

From: [s loomis j hovel](#)

To: [Fournier](#)

Cc: [KW.Schwarz@worldnet.att.net](#)

Sent: Wednesday, October 02, 2002 11:41 AM

Subject: Re: Yahoo! GX 13F-HR for CITIGROUP INC filed on 11/14/01 3:56:00 PM

1	28-3072	399 Venture Partners, Inc.
2	28-1876	Associated Madison Companies, Inc.
3	28-6215	Citibank Canada
4	28-5339	Citibank International Plc
5	28-5341	Citibank Investments Limited
6	28-749	Citibank, N.A.
7	28-6217	Citibank (New York State)
8	28-5347	Citibank Overseas Investment Corporation
9	28-1833	Citibank (Switzerland)
10	28-45	Citicorp
11	28-7574	Citicorp Banking Corporation
12	28-6221	Citicorp Funding, Inc.
13	28-6323	Citicorp Strategic Technology Corporation
14	28-1090	Citicorp Venture Capital, Ltd.
15	28-5343	Citigroup Holdings Company
16	28-4024	Smith Barney Fund Management LLC
17	28-5154	PFS Services, Inc.
18	28-4684	Plaza LLC
19	28-4442	The Robinson-Humphrey Company, LLC
20	28-2568	Salomon Brothers Asset Management Inc.
21	28-7570	Salomon Brothers Europe Limited
22	28-1114	Salomon Brothers Holding Company Inc.
23	28-7568	Salomon Brothers International Limited
24	28-6229	Salomon Brothers UK Equity Limited
25	28-7566	Salomon International LLC
26	28-1109	Salomon Smith Barney Holdings Inc.
27	28-541	Salomon Smith Barney Inc.
28	28-3197	SAMBA Capital Management International Limited
29	28-7564	Saudi American Bank
30	28-5476	Smith Barney Corporate Trust Company
31	28-6251	Citigroup Asset Management Limited
32	28-3308	Travelers Asset Management International Company LLC
33	28-5774	Travelers Property Casualty Corp.
34	28-4686	The Travelers Indemnity Company
35	28-1299	The Travelers Insurance Company
36	28-4152	The Travelers Insurance Group Inc.

37	28-2551	The Travelers Investment Management Company
38	28-6022	Tribeca Management, L.L.C.

Attachment D.5

FORM 13F INFORMATION

TABLE

NAME OF ISSUER	TITLE	CUSIP	VALUE	SHARES/	SH/
PUT/	INVTMT	OTHER			

	CLASS	(X\$1000)	PRN	AMT	PRN
--	-------	-----------	-----	-----	-----

CALL DSCRETN MANAGER

*** ASIA GLOBAL CROSSING	EQUITY	G05330108	3	1337	SH
DEFINED					

VOTING AUTHORITY

SOLE	SHARED	NONE
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19,22,26,27	1239	0	98
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*** ASIA GLOBAL CROSSING	EQUITY	G05330108	430	194643	SH
DEFINED	22,26,27	155881	0	38762	

*** GLOBAL CROSSING LTD	EQUITY	G3921A100	12	6250	SH
DEFINED	6,10,15	6000	0	250	

*** GLOBAL CROSSING LTD	OPTION	G3921A100	28500	15000000	SH CALL
DEFINED	6,10,15	15000000	0	0	

*** GLOBAL CROSSING LTD	OPTION	G3921A100	28500	15000000	SH PUT
DEFINED	6,10,15	15000000	0	0	

*** GLOBAL CROSSING LTD	EQUITY	G3921A100	3	1800	SH
DEFINED	9,10,11,15	0	0	1800	

*** GLOBAL CROSSING LTD	EQUITY	G3921A100	31339	16494152	SH
DEFINED	6,10,14,15	16494152	0	0	

*** GLOBAL CROSSING LTD	EQUITY	G3921A100	5	2506	SH
DEFINED	16,26	2506	0	0	

*** GLOBAL CROSSING LTD	EQUITY	G3921A100	644	338855	SH
DEFINED	19,22,26,27	159633	0	179222	

*** GLOBAL CROSSING LTD	EQUITY	G3921A100	91	47700	SH
DEFINED	22,26	47700	0	0	

*** GLOBAL CROSSING LTD	OPTION	G3921A100	97	50900	SH PUT
DEFINED	21,22,23,25,26	50900	0	0	

*** GLOBAL CROSSING LTD	EQUITY	G3921A100	12387	6519254	SH
DEFINED	22,26,27	4687417	0	1831837	

*** GLOBAL CROSSING LTD	OPTION	G3921A100	1047	550800	SH CALL
DEFINED	22,26,27	550200	0	600	

*** GLOBAL CROSSING LTD	OPTION	G3921A100	1735	913000	SH PUT
DEFINED	22,26,27	895400	0	17600	

*** GLOBAL CROSSING LTD	EQUITY	G3921A100	215	113122	SH
DEFINED	26,37	113122	0	0	

*** GLOBAL CROSSING	CONV P EQUITY	G3921A126	65	3445 SH
DEFINED	19,22,26,27	2340 0 1105		
*** GLOBAL CROSSING	CONV P EQUITY	G3921A126	3992	210123 SH
DEFINED	22,26,27	191938 0 18185		
*** GLOBAL CROSSING	CONV P EQUITY	G3921A126	95	5000 SH
DEFINED	2,17,35,36,38	0 0 5000		
*** GLOBAL CROSSING	LTD 6. EQUITY	G3921A134	217	5100 SH
DEFINED	16,26	3300 1800 0		
*** GLOBAL CROSSING	LTD 6. EQUITY	G3921A134	7	155 SH
DEFINED	19,22,26,27	0 0 155		
*** GLOBAL CROSSING	LTD 6. EQUITY	G3921A134	1057	24866 SH
DEFINED	22,26,27	20960 0 3906		
*** GLOBAL CROSSING	LTD 6. EQUITY	G3921A134	2125	50000 SH
DEFINED	2,17,35,36,38	0 0 50000		
*** GLOBAL CROSSING	CONV P EQUITY	G3921A142	30	690 SH
DEFINED	19,22,26,27	540 0 150		
*** GLOBAL CROSSING	CONV P EQUITY	G3921A142	6030	137050 SH
DEFINED	22,26,27	130142 0 6908		
*** GLOBAL CROSSING	CONV P EQUITY	G3921A142	2420	55000 SH
DEFINED	2,17,35,36,38	0 0 55000		

Attachment D.6

FLEETBOSTON FINANCIAL CORP EQUITY	339030108	899	24695 SH
DEFINED	6,10,15	5780	13800 5115
FLEETBOSTON FINANCIAL CORP EQUITY	339030108	35058	963400 SH
DEFINED	10,11,12,15	963400	0 0
FLEETBOSTON FINANCIAL CORP EQUITY	339030108	147417	4051017 SH
DEFINED	16,26	3181655	869362 0
FLEETBOSTON FINANCIAL CORP EQUITY	339030108	11170	306946 SH
DEFINED	19,22,26,27	246893	0 60053
FLEETBOSTON FINANCIAL CORP EQUITY	339030108	38915	1069400 SH
DEFINED	20,22,26	1069400	0 0
FLEETBOSTON FINANCIAL CORP EQUITY	339030108	226	6200 SH
DEFINED	22,26	6200	0 0
FLEETBOSTON FINANCIAL CORP EQUITY	339030108	320282	8801361 SH
DEFINED	22,26,27	6794926	0 2006435
FLEETBOSTON FINANCIAL CORP EQUITY	339030108	1484	40769 SH
DEFINED	30	0	40769 0
FLEETBOSTON FINANCIAL CORP EQUITY	339030108	1860	51123 SH
DEFINED	2,17,18,32,35,36	51123	0 0
FLEETBOSTON FINANCIAL CORP EQUITY	339030108	8171	224543 SH
DEFINED	26,37	224543	0 0

Attachment D.7

----- Original Message -----

From: s.loomis.j.hovel

To: [Fournier](#)

Cc: KW.Schwarz@worldnet.att.net

Sent: Wednesday, October 02, 2002 11:41 AM

Subject: Re: Yahoo! GX 13F-HR for CITIGROUP INC filed on 11/14/01 3:56:00 PM

1	28-3072	399 Venture Partners, Inc.
2	28-1876	Associated Madison Companies, Inc.
3	28-6215	Citibank Canada
4	28-5339	Citibank International Plc
5	28-5341	Citibank Investments Limited
6	28-749	Citibank, N.A.
7	28-6217	Citibank (New York State)
8	28-5347	Citibank Overseas Investment Corporation
9	28-1833	Citibank (Switzerland)
10	28-45	Citicorp
11	28-7574	Citicorp Banking Corporation
12	28-6221	Citicorp Funding, Inc.
13	28-6323	Citicorp Strategic Technology Corporation
14	28-1090	Citicorp Venture Capital, Ltd.
15	28-5343	Citigroup Holdings Company
16	28-4024	Smith Barney Fund Management LLC
17	28-5154	PFS Services, Inc.
18	28-4684	Plaza LLC
19	28-4442	The Robinson-Humphrey Company, LLC
20	28-2568	Salomon Brothers Asset Management Inc.
21	28-7570	Salomon Brothers Europe Limited
22	28-1114	Salomon Brothers Holding Company Inc.
23	28-7568	Salomon Brothers International Limited
24	28-6229	Salomon Brothers UK Equity Limited
25	28-7566	Salomon International LLC
26	28-1109	Salomon Smith Barney Holdings Inc.
27	28-541	Salomon Smith Barney Inc.
28	28-3197	SAMBA Capital Management International Limited
29	28-7564	Saudi American Bank
30	28-5476	Smith Barney Corporate Trust Company
31	28-6251	Citigroup Asset Management Limited
32	28-3308	Travelers Asset Management International Company LLC
33	28-5774	Travelers Property Casualty Corp.
34	28-4686	The Travelers Indemnity Company
35	28-1299	The Travelers Insurance Company
36	28-4152	The Travelers Insurance Group Inc.
37	28-2551	The Travelers Investment Management Company

Attachment D.7

FORM 13F INFORMATION

TABLE

NAME OF ISSUER	TITLE	CUSIP	VALUE	SHARES/	SH/
PUT/	INVTMT	OTHER			

	CLASS	(X\$1000)	PRN	AMT	PRN
--	-------	-----------	-----	-----	-----

CALL DSCRETN MANAGER

*** ASIA **GLOBAL CROSSING** EQUITY G05330108 3 1337 SH
DEFINED

VOTING AUTHORITY

SOLE	SHARED	NONE
------	--------	------

19,22,26,27 1239 0 98

*** ASIA **GLOBAL CROSSING** EQUITY G05330108 430 194643 SH
DEFINED 22,26,27 155881 0 38762

*** **GLOBAL CROSSING** LTD EQUITY G3921A100 12 6250 SH
DEFINED 6,10,15 6000 0 250

*** **GLOBAL CROSSING** LTD OPTION G3921A100 28500 15000000 SH CALL
DEFINED 6,10,15 15000000 0 0

*** **GLOBAL CROSSING** LTD OPTION G3921A100 28500 15000000 SH PUT
DEFINED 6,10,15 15000000 0 0

*** **GLOBAL CROSSING** LTD EQUITY G3921A100 3 1800 SH
DEFINED 9,10,11,15 0 0 1800

*** **GLOBAL CROSSING** LTD EQUITY G3921A100 31339 16494152 SH
DEFINED 6,10,14,15 16494152 0 0

*** **GLOBAL CROSSING** LTD EQUITY G3921A100 5 2506 SH
DEFINED 16,26 2506 0 0

*** **GLOBAL CROSSING** LTD EQUITY G3921A100 644 338855 SH
DEFINED 19,22,26,27 159633 0 179222

*** **GLOBAL CROSSING** LTD EQUITY G3921A100 91 47700 SH
DEFINED 22,26 47700 0 0

*** **GLOBAL CROSSING** LTD OPTION G3921A100 97 50900 SH PUT
DEFINED 21,22,23,25,26 50900 0 0

*** **GLOBAL CROSSING** LTD EQUITY G3921A100 12387 6519254 SH
DEFINED 22,26,27 4687417 0 1831837

*** **GLOBAL CROSSING** LTD OPTION G3921A100 1047 550800 SH CALL
DEFINED 22,26,27 550200 0 600

*** **GLOBAL CROSSING** LTD OPTION G3921A100 1735 913000 SH PUT
DEFINED 22,26,27 895400 0 17600

*** **GLOBAL CROSSING** LTD EQUITY G3921A100 215 113122 SH
DEFINED 26,37 113122 0 0

*** GLOBAL CROSSING	CONV P EQUITY	G3921A126	65	3445 SH
DEFINED	19,22,26,27	2340 0 1105		
*** GLOBAL CROSSING	CONV P EQUITY	G3921A126	3992	210123 SH
DEFINED	22,26,27	191938 0 18185		
*** GLOBAL CROSSING	CONV P EQUITY	G3921A126	95	5000 SH
DEFINED	2,17,35,36,38	0 0 5000		
*** GLOBAL CROSSING	LTD 6. EQUITY	G3921A134	217	5100 SH
DEFINED	16,26	3300 1800 0		
*** GLOBAL CROSSING	LTD 6. EQUITY	G3921A134	7	155 SH
DEFINED	19,22,26,27	0 0 155		
*** GLOBAL CROSSING	LTD 6. EQUITY	G3921A134	1057	24866 SH
DEFINED	22,26,27	20960 0 3906		
*** GLOBAL CROSSING	LTD 6. EQUITY	G3921A134	2125	50000 SH
DEFINED	2,17,35,36,38	0 0 50000		
*** GLOBAL CROSSING	CONV P EQUITY	G3921A142	30	690 SH
DEFINED	19,22,26,27	540 0 150		
*** GLOBAL CROSSING	CONV P EQUITY	G3921A142	6030	137050 SH
DEFINED	22,26,27	130142 0 6908		
*** GLOBAL CROSSING	CONV P EQUITY	G3921A142	2420	55000 SH
DEFINED	2,17,35,36,38	0 0 55000		

Attachment D.8

JP MORGAN CHASE & CO	EQUITY	46625H100	2959	87020 SH
DEFINED 4,5,6,8,10,15		87020 0 0		
JP MORGAN CHASE & CO	EQUITY	46625H100	41247	1213145 SH
DEFINED 6,10,15		411196 554550 247399		
JP MORGAN CHASE & CO	OPTION	46625H100	6256	184000 SH CALL
DEFINED 6,10,15		184000 0 0		
JP MORGAN CHASE & CO	OPTION	46625H100	8160	240000 SH PUT
DEFINED 6,10,15		240000 0 0		
JP MORGAN CHASE & CO	EQUITY	46625H100	5933	174490 SH
DEFINED 9,10,11,15		0 0 174490		
JP MORGAN CHASE & CO	EQUITY	46625H100	7436	218700 SH
DEFINED 10,11,12,15		218700 0 0		
JP MORGAN CHASE & CO	EQUITY	46625H100	277032	8147996 SH
DEFINED 16,26		6281951 1866045 0		
JP MORGAN CHASE & CO	EQUITY	46625H100	31598	929344 SH
DEFINED 19,22,26,27		664314 0 265029		
JP MORGAN CHASE & CO	EQUITY	46625H100	13771	405022 SH
DEFINED 20,22,26		405022 0 0		
JP MORGAN CHASE & CO	EQUITY	46625H100	523	15370 SH
DEFINED 22,26		15370 0 0		
JP MORGAN CHASE & CO	OPTION	46625H100	3706	109000 SH CALL
DEFINED 21,22,23,25,26		109000 0 0		
JP MORGAN CHASE & CO	OPTION	46625H100	17000	500000 SH PUT
DEFINED 21,22,23,25,26		500000 0 0		
JP MORGAN CHASE & CO	EQUITY	46625H100	24	720 SH
DEFINED 26		720 0 0		
JP MORGAN CHASE & CO	EQUITY	46625H100	927925	27291921 SH
DEFINED 22,26,27		16649032 0 10642889		
JP MORGAN CHASE & CO	OPTION	46625H100	3750	110300 SH CALL
DEFINED 22,26,27		110000 0 300		
JP MORGAN CHASE & CO	OPTION	46625H100	51	1500 SH PUT
DEFINED 22,26,27		0 0 1500		
JP MORGAN CHASE & CO	EQUITY	46625H100	873	25669 SH
DEFINED 30		0 25669 0		
JP MORGAN CHASE & CO	EQUITY	46625H100	5299	155853 SH
DEFINED 22,25,26,31		155853 0 0		
JP MORGAN CHASE & CO	EQUITY	46625H100	2965	87210 SH
DEFINED 2,17,18,32,35,36		87210 0 0		
JP MORGAN CHASE & CO	EQUITY	46625H100	1	21 SH
DEFINED 2,17,35,36		21 0 0		
JP MORGAN CHASE & CO	EQUITY	46625H100	12604	370706 SH
DEFINED 26,37		370706 0 0		

Attachment D.9

----- Original Message -----

From: [s loomis j hovel](#)

To: [Fournier](#)

Cc: [KW.Schwarz@worldnet.att.net](#)

Sent: Wednesday, October 02, 2002 11:41 AM

Subject: Re: Yahoo! GX 13F-HR for CITIGROUP INC filed on 11/14/01 3:56:00 PM

1	28-3072	399 Venture Partners, Inc.
2	28-1876	Associated Madison Companies, Inc.
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5	28-5341	Citibank Investments Limited
6	28-749	Citibank, N.A.
7	28-6217	Citibank (New York State)
8	28-5347	Citibank Overseas Investment Corporation
9	28-1833	Citibank (Switzerland)
10	28-45	Citicorp
11	28-7574	Citicorp Banking Corporation
12	28-6221	Citicorp Funding, Inc.
13	28-6323	Citicorp Strategic Technology Corporation
14	28-1090	Citicorp Venture Capital, Ltd.
15	28-5343	Citigroup Holdings Company
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17	28-5154	PFS Services, Inc.
18	28-4684	Plaza LLC
19	28-4442	The Robinson-Humphrey Company, LLC
20	28-2568	Salomon Brothers Asset Management Inc.
21	28-7570	Salomon Brothers Europe Limited
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23	28-7568	Salomon Brothers International Limited
24	28-6229	Salomon Brothers UK Equity Limited
25	28-7566	Salomon International LLC
26	28-1109	Salomon Smith Barney Holdings Inc.
27	28-541	Salomon Smith Barney Inc.
28	28-3197	SAMBA Capital Management International Limited
29	28-7564	Saudi American Bank
30	28-5476	Smith Barney Corporate Trust Company
31	28-6251	Citigroup Asset Management Limited
32	28-3308	Travelers Asset Management International Company LLC
33	28-5774	Travelers Property Casualty Corp.
34	28-4686	The Travelers Indemnity Company
35	28-1299	The Travelers Insurance Company

36	28-4152	The Travelers Insurance Group Inc.
37	28-2551	The Travelers Investment Management Company
38	28-6022	Tribeca Management, L.L.C.

Attachment D.10

FORM 13F INFORMATION

TABLE

NAME OF ISSUER	TITLE	CUSIP	VALUE	SHARES/	SH/
PUT/ INVSTMT OTHER					

	CLASS	(X\$1000)	PRN	AMT	PRN
--	-------	-----------	-----	-----	-----

CALL DSCRETN MANAGER

*** ASIA **GLOBAL CROSSING** EQUITY G05330108 3 1337 SH
DEFINED

VOTING AUTHORITY

SOLE SHARED NONE

19,22,26,27 1239 0 98

*** ASIA **GLOBAL CROSSING** EQUITY G05330108 430 194643 SH
DEFINED 22,26,27 155881 0 38762

*** **GLOBAL CROSSING** LTD EQUITY G3921A100 12 6250 SH
DEFINED 6,10,15 6000 0 250

*** **GLOBAL CROSSING** LTD OPTION G3921A100 28500 15000000 SH
CALL DEFINED 6,10,15 15000000 0 0

*** **GLOBAL CROSSING** LTD OPTION G3921A100 28500 15000000 SH
PUT DEFINED 6,10,15 15000000 0 0

*** **GLOBAL CROSSING** LTD EQUITY G3921A100 3 1800 SH
DEFINED 9,10,11,15 0 0 1800

*** **GLOBAL CROSSING** LTD EQUITY G3921A100 31339 16494152 SH
DEFINED 6,10,14,15 16494152 0 0

*** **GLOBAL CROSSING** LTD EQUITY G3921A100 5 2506 SH
DEFINED 16,26 2506 0 0

*** **GLOBAL CROSSING** LTD EQUITY G3921A100 644 338855 SH
DEFINED 19,22,26,27 159633 0 179222

*** **GLOBAL CROSSING** LTD EQUITY G3921A100 91 47700 SH
DEFINED 22,26 47700 0 0

*** **GLOBAL CROSSING** LTD OPTION G3921A100 97 50900 SH PUT
DEFINED 21,22,23,25,26 50900 0 0

*** **GLOBAL CROSSING** LTD EQUITY G3921A100 12387 6519254 SH
DEFINED 22,26,27 4687417 0 1831837

*** **GLOBAL CROSSING** LTD OPTION G3921A100 1047 550800 SH
CALL DEFINED 22,26,27 550200 0 600

*** GLOBAL CROSSING LTD OPTION	G3921A100	1735	913000	SH	PUT
DEFINED	22,26,27 895400 0 17600				
*** GLOBAL CROSSING LTD EQUITY	G3921A100	215	113122	SH	
DEFINED	26,37 113122 0 0				
*** GLOBAL CROSSING CONV P EQUITY	G3921A126	65	3445	SH	
DEFINED	19,22,26,27 2340 0 1105				
*** GLOBAL CROSSING CONV P EQUITY	G3921A126	3992	210123	SH	
DEFINED	22,26,27 191938 0 18185				
*** GLOBAL CROSSING CONV P EQUITY	G3921A126	95	5000	SH	
DEFINED	2,17,35,36,38 0 0 5000				
*** GLOBAL CROSSING LTD 6. EQUITY	G3921A134	217	5100	SH	
DEFINED	16,26 3300 1800 0				
*** GLOBAL CROSSING LTD 6. EQUITY	G3921A134	7	155	SH	
DEFINED	19,22,26,27 0 0 155				
*** GLOBAL CROSSING LTD 6. EQUITY	G3921A134	1057	24866	SH	
DEFINED	22,26,27 20960 0 3906				
*** GLOBAL CROSSING LTD 6. EQUITY	G3921A134	2125	50000	SH	
DEFINED	2,17,35,36,38 0 0 50000				
*** GLOBAL CROSSING CONV P EQUITY	G3921A142	30	690	SH	
DEFINED	19,22,26,27 540 0 150				
*** GLOBAL CROSSING CONV P EQUITY	G3921A142	6030	137050	SH	
DEFINED	22,26,27 130142 0 6908				
*** GLOBAL CROSSING CONV P EQUITY	G3921A142	2420	55000	SH	
DEFINED	2,17,35,36,38 0 0 55000				

Attachment D.11

1	28-3072	399 Venture Partners, Inc.
2	28-1876	Associated Madison Companies, Inc.
3	28-6215	Citibank Canada
4	28-5339	Citibank International Plc
5	28-5341	Citibank Investments Limited
6	28-749	Citibank, N.A.
7	28-6217	Citibank (New York State)
8	28-5347	Citibank Overseas Investment Corporation
9	28-1833	Citibank (Switzerland)
10	28-45	Citicorp
11	28-7574	Citicorp Banking Corporation
12	28-6221	Citicorp Funding, Inc.
13	28-6323	Citicorp Strategic Technology Corporation
14	28-1090	Citicorp Venture Capital, Ltd.
15	28-5343	Citigroup Holdings Company
16	28-4024	Smith Barney Fund Management LLC
17	28-5154	PFS Services, Inc.
18	28-4684	Plaza LLC
19	28-4442	The Robinson-Humphrey Company, LLC
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22	28-1114	Salomon Brothers Holding Company Inc.
23	28-7568	Salomon Brothers International Limited
24	28-6229	Salomon Brothers UK Equity Limited
25	28-7566	Salomon International LLC
26	28-1109	Salomon Smith Barney Holdings Inc.
27	28-541	Salomon Smith Barney Inc.
28	28-3197	SAMBA Capital Management International Limited
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31	28-6251	Citigroup Asset Management Limited
32	28-3308	Travelers Asset Management International Company LLC
33	28-5774	Travelers Property Casualty Corp.
34	28-4686	The Travelers Indemnity Company
35	28-1299	The Travelers Insurance Company
36	28-4152	The Travelers Insurance Group Inc.
37	28-2551	The Travelers Investment Management Company
38	28-6022	Tribeca Management, L.L.C.

Attachment D.12

FORM 13F INFORMATION

TABLE

NAME OF ISSUER PUT/ INVSTMT OTHER	TITLE	CUSIP	VALUE	SHARES/ SH/
CALL DSCRETN MANAGER	CLASS		(X\$1000) PRN	AMT PRN

--				
*** ASIA GLOBAL CROSSING DEFINED	EQUITY	G05330108	3	1337 SH
VOTING AUTHORITY				
SOLE	SHARED	NONE		
19,22,26,27	1239	0	98	
*** ASIA GLOBAL CROSSING DEFINED	EQUITY	G05330108	430	194643 SH
	22,26,27	155881	0	38762
*** GLOBAL CROSSING LTD DEFINED	EQUITY	G3921A100	12	6250 SH
	6,10,15	6000	0	250
*** GLOBAL CROSSING LTD CALL DEFINED	OPTION	G3921A100	28500	15000000 SH
	6,10,15	15000000	0	0
*** GLOBAL CROSSING LTD PUT DEFINED	OPTION	G3921A100	28500	15000000 SH
	6,10,15	15000000	0	0
*** GLOBAL CROSSING LTD DEFINED	EQUITY	G3921A100	3	1800 SH
	9,10,11,15	0	0	1800
*** GLOBAL CROSSING LTD DEFINED	EQUITY	G3921A100	31339	16494152 SH
	6,10,14,15	16494152	0	0
*** GLOBAL CROSSING LTD DEFINED	EQUITY	G3921A100	5	2506 SH
	16,26	2506	0	0
*** GLOBAL CROSSING LTD DEFINED	EQUITY	G3921A100	644	338855 SH
	19,22,26,27	159633	0	179222
*** GLOBAL CROSSING LTD DEFINED	EQUITY	G3921A100	91	47700 SH
	22,26	47700	0	0
*** GLOBAL CROSSING LTD DEFINED	OPTION	G3921A100	97	50900 SH PUT
	21,22,23,25,26	50900	0	0
*** GLOBAL CROSSING LTD DEFINED	EQUITY	G3921A100	12387	6519254 SH
	22,26,27	4687417	0	1831837
*** GLOBAL CROSSING LTD DEFINED	OPTION	G3921A100	1047	550800 SH CALL
	22,26,27	550200	0	600
*** GLOBAL CROSSING LTD DEFINED	OPTION	G3921A100	1735	913000 SH PUT
	22,26,27	895400	0	17600
*** GLOBAL CROSSING LTD DEFINED	EQUITY	G3921A100	215	113122 SH
	26,37	113122	0	0

*** GLOBAL CROSSING	CONV P EQUITY	G3921A126	65	3445 SH
DEFINED	19,22,26,27	2340 0 1105		
*** GLOBAL CROSSING	CONV P EQUITY	G3921A126	3992	210123 SH
DEFINED	22,26,27	191938 0 18185		
*** GLOBAL CROSSING	CONV P EQUITY	G3921A126	95	5000 SH
DEFINED	2,17,35,36,38	0 0 5000		
*** GLOBAL CROSSING	LTD 6. EQUITY	G3921A134	217	5100 SH
DEFINED	16,26	3300 1800 0		
*** GLOBAL CROSSING	LTD 6. EQUITY	G3921A134	7	155 SH
DEFINED	19,22,26,27	0 0 155		
*** GLOBAL CROSSING	LTD 6. EQUITY	G3921A134	1057	24866 SH
DEFINED	22,26,27	20960 0 3906		
*** GLOBAL CROSSING	LTD 6. EQUITY	G3921A134	2125	50000 SH
DEFINED	2,17,35,36,38	0 0 50000		
*** GLOBAL CROSSING	CONV P EQUITY	G3921A142	30	690 SH
DEFINED	19,22,26,27	540 0 150		
*** GLOBAL CROSSING	CONV P EQUITY	G3921A142	6030	137050 SH
DEFINED	22,26,27	130142 0 6908		
*** GLOBAL CROSSING	CONV P EQUITY	G3921A142	2420	55000 SH
DEFINED	2,17,35,36,38	0 0 55000		

Attachment D.13

BLACKROCK HIGH YIELD TRUST

6/28/02 Ca	2,000	Asia Global Crossing , Sr. Note, 13.38%, 10/15/10	500,000
6/29/01 B+	2,000	Asia Global Crossing , Sr. Note, 13.38%, 10/15/10	1,900,000
12/28/00 B+	2,000	Asia Global Crossing** , Sr. Note, 13.38%, 10/15/10	1,870,000

Blackrock Funds

5/30/02 Asia Global Crossing Ltd., Senior Unsecured Notes 13.38% 10/15/10	2,000	\$ 320,000
DBS Group Holdings Ltd.	8,500	68,225
Cheung Kong Ltd.	2,000	17,885
Hutchison Whampoa Ltd.	2,000	17,629
China Mobile Ltd. - ADR(b)	13,900	214,755
China Telecommunications Ltd.(b)	339,400	1,048,688
FleetBoston Financial Corp.(c)	310,600	10,871,000
Citigroup, Inc.	534,333	26,460,170
American International Group, Inc.	290,281	20,940,871
Travelers Property Casualty Corp. - Class A(b)	324,000	6,480,000
FleetBoston Financial Corp.	72,900	2,551,500
Citigroup, Inc.	125,433	6,211,442
American International Group, Inc.	68,145	4,915,980
Travelers Property Casualty Corp. - Class A(b)	76,000	1,520,000
12/05/01 Global Crossing Ltd.	7,000	392,000
12/06/01 Global Crossing Ltd.	243,300	437,940
12/01/00		
5/30/00 Global Crossing Ltd.	203,400	8,333,044
5/30/00 Global Crossing Hldg. Ltd., Series 144A 9.13% 11/15/06	1,500	1,436,250

12/03/99 Global Crossing Ltd.	177,205	4,690,395
6/07/99 Global Crossing Hldgs. Ltd. (PIK) 10.50%	20,000	\$ 2,300,000

Counsel

Simpson, Thacher & Bartlett
New York, New York 10017

(A partnership which includes professional corporations)

NOTES: Cheung Kong Ltd. is Li Ka-shing and Hutchison.
Hutchison is Li Ka-shing
DBS Holdings is aligned with ST Telemedia and Hutchison.
Winnick and Steven J. Green acquired the K1 Ventures entity from DBS.
Steven J. Green is the former Singapore Ambassador to Singapore, Clinton appointee.
Clinton, Peter Peterson and Gail Fosler, board member of DBS are all members of the Council for Foreign Relations.

It is reasonably apparent that Black Rock (PNC Bank) is being used as a front and involvement of Chinese and Singapore interests.

Attachment D.14

Note change on January 28, 2002, same date Global Crossing filed and all of the actions that occurred after the Chapter 11 was filed.

Search

[New Search](#)[Revise Search](#)

Displaying hits: **1** to **2** Of **2** found

Dec 10 2001

79.67

JP MORGAN PARTNERS BHCA LP

[SC 13D](#) (579 KB)

Ownership Statement

Jan 28 2002

77.42

JP MORGAN PARTNERS BHCA LP

[SC 13D/A](#) (174 KB)

Amended Ownership Statement

Displaying Results **1** - **2**

Date	Relevancy	Filing
Dec 10 2001	97.46	JP MORGAN PARTNERS BHCA LP SC 13D (579 KB) Ownership Statement
Feb 11 2002	77.42	JP MORGAN PARTNERS BHCA LP SC 13D/A (38 KB) Amended Ownership Statement
Displaying Results 1 - 2		

Date	Filings	More Info
Jul 10 2002	JP MORGAN PARTNERS BHCA LP 4 : Changes to Initial Filing of Equity Securities	Hard Copy , Premium Research , People
Jun 7 2002	JP MORGAN PARTNERS BHCA LP 4 : Changes to Initial Filing of Equity Securities	Hard Copy , Premium Research , People
Apr 11 2002	JP MORGAN PARTNERS BHCA LP 4 : Changes to Initial Filing of Equity Securities	Hard Copy , Premium Research , People
Mar 19 2002	JP MORGAN PARTNERS BHCA LP SC 13G/A : Amended Ownership Statement	Hard Copy , Premium Research , People
Mar 15 2002	JP MORGAN PARTNERS BHCA LP SC 13D/A : Amended Ownership Statement	Hard Copy , Premium Research , People
Mar 1 2002	JP MORGAN PARTNERS BHCA LP SC 13G : Ownership Statement	Hard Copy , Premium Research , People
Mar 1 2002	JP MORGAN PARTNERS BHCA LP 3 : Initial Filing of Equity Securities	Hard Copy , Premium Research , People
Feb 26 2002	JP MORGAN PARTNERS BHCA LP SC 13G/A : Amended Ownership Statement	Hard Copy , Premium Research , People
Feb 14 2002	JP MORGAN PARTNERS BHCA LP 5 : Annual Statement of Ownership	Hard Copy , Premium Research , People
Feb 13 2002	JP MORGAN PARTNERS BHCA LP SC 13G : Ownership Statement	Hard Copy , Premium Research , People
Feb 11 2002	JP MORGAN PARTNERS BHCA LP SC 13D/A : Amended Ownership Statement	Hard Copy , Premium Research , People
Feb 11 2002	JP MORGAN PARTNERS BHCA LP SC 13G/A : Amended Ownership Statement	Hard Copy , Premium Research , People

Feb 11 2002	JP MORGAN PARTNERS BHCA LP SC 13D/A : Amended Ownership Statement	Hard Copy , Premium Research , People
Feb 11 2002	JP MORGAN PARTNERS BHCA LP SC 13G/A : Amended Ownership Statement	Hard Copy , Premium Research , People
Feb 11 2002	JP MORGAN PARTNERS BHCA LP SC 13G : Ownership Statement	Hard Copy , Premium Research , People
Jan 28 2002	JP MORGAN PARTNERS BHCA LP SC 13D/A : Amended Ownership Statement	Hard Copy , Premium Research , People
Jan 8 2002	JP MORGAN PARTNERS BHCA LP SC 13G/A : Amended Ownership Statement	Hard Copy , Premium Research , People
Jan 7 2002	JP MORGAN PARTNERS BHCA LP SC 13G : Ownership Statement	Hard Copy , Premium Research , People
Dec 18 2001	JP MORGAN PARTNERS BHCA LP SC 13D/A : Amended Ownership Statement	Hard Copy , Premium Research , People
Dec 10 2001	JP MORGAN PARTNERS BHCA LP SC 13D : Ownership Statement	Hard Copy , Premium Research , People

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Date	Filings	More Info
Mar 19 2001	JP MORGAN PARTNERS BHCA LP SC 13G : Ownership Statement	Hard Copy , Premium Research , People
Feb 14 2001	JP MORGAN PARTNERS BHCA LP SC 13G/A : Amended Ownership Statement	Hard Copy , Premium Research , People
Feb 14 2001	JP MORGAN PARTNERS BHCA LP SC 13G : Ownership Statement	Hard Copy , Premium Research , People
Feb 8 2001	JP MORGAN PARTNERS BHCA LP 4 : Changes to Initial Filing of Equity Securities	Hard Copy , Premium Research , People
Feb 8 2001	JP MORGAN PARTNERS	Hard Copy , Premium

	BHCA LP 4 : Changes to Initial Filing of Equity Securities	Research , People
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[Previous 20 entries](#)

Attachment E.1

http://www.motherjones.com/web_exclusives/features/news/updates_0102.html

Former Milken Partner Leon Black Sued in California

January 30, 2002

California Attorney General Bill Lockyer today named New York financier Leon Black as a defendant in a multi-million dollar suit related to the 1991 sale of Executive Life Insurance Co.

Read the original story here

[No Assurances](#)

[The suit](#), filed in federal district court in Los Angeles, accuses Black and one of the financier's former partners at Apollo Advisors of hiding information from state insurance authorities during and after the highly-publicized purchase of the failed insurance company. The suit claims that Black and the other defendant, Craig Cogut, violated state insurance and racketeering laws by failing to disclose their financial arrangements with Executive, re-named the Aurora Life Assurance Co.

"The additional defendants result from our ongoing investigation in this case," Lockyer said in a prepared release. "We believe an illegal scheme of secret arrangements and hidden profits was used to essentially cheat the state and policyholders."

Lockyer's complaint, the result of a 2-year investigation, is a revision of a suit filed last June against French bank Credit Lyonnais, French billionaire Francois Pinault and others. According to that suit, secret contracts between the bank and certain investors allowed the bank to illegally control Aurora. The bank and the investors it recruited purchased Executive Life and its portfolio of lucrative junk bonds, in an auction conducted by former California insurance commissioner John Garamendi in November, 1991.

Although Black was the French bank's advisor, he has denied any knowledge of the secret contracts, called portage agreements. In the complaint, however, Lockyer alleges that Black did know of the secret contracts and was part of an active conspiracy with the French bank and investors.

The complaint also alleges that Black's group cut a deal with the French bank allowing Apollo Advisors to claim 15% of the insurance company's dividends. Between 1993 and 2000, dividends approved by the California insurance department totaled about \$400 million, according to Best's Insurance Reports.

As it turns out, Cogut ended up reaping most of the benefit of that agreement after he and Mr. Black went separate ways in 1994.

-- Ellie Winninghoff

http://www.motherjones.com/web_exclusives/features/news/insurance.html

No Assurances Are California authorities giving a free pass to a former Michael Milken crony who helped to gut an insurance company, leaving thousands of policyholders to pick up the pieces?

by [Ellie Winninghoff](#) Jan. 16, 2002

Sue Watson's nightmare began in early 1982, when she took her pneumonia-stricken daughter Katie, then 20 months old, to a Phoenix, Arizona, hospital. What ensued was described by one local newspaper as a "tragedy of errors." Hospital staff failed to give the infant oxygen for six hours and a pediatrician prescribed an overdose of the barbiturate Phenobarbital. By the end of the following day, Katie was brain dead.

Four years later, Watson, a fundraiser for a Montessori school in Phoenix, and her husband settled a lawsuit with the hospital for \$4.2 million. Legal fees and expenses ate up nearly half the award, while another quarter went towards building a home in which the Watsons could care for their stricken child. The remainder was invested in a so-called structured settlement that the hospital purchased on Katie's behalf from the Los Angeles-based Executive Life Insurance Company.

Watson said she and her husband opted to accept the structured settlement instead of a lump sum payment in hopes of establishing a reliable income for Katie as a hedge against inflation. The hope, Watson said, was that the income from the structured settlement would increase, if only slightly, year to year.

"We were told that structured settlements were very safe," she recalls.

Not this one.

DISECTING THE DEAL

A look inside the complex deal which ultimately left so many Executive Life policyholders out in the cold.

[Full Story](#)

In 1990, Executive was sold to a French bank and its partners. The deal was orchestrated by 50-year-old New York financier Leon Black, Michael Milken's unofficial right-hand man as co-head of mergers and acquisitions at the now-defunct Drexel Burnham Lambert.

In October, 1993, the insurer cut Katie's income by 54 percent. Watson, who personally cares for her stricken daughter, is still livid. And she is concerned that Katie's future -- one that will always require round-the-clock care -- hangs in the balance.

"This little girl needed that money," she says. "If I died, and my husband died today, the money she is getting from that annuity right now is not enough to take care of her."

The Watsons are not alone. An accounting conducted by the California Attorney General's office showed that more than 300,000 Executive Life policyholders have lost billions -- \$4.7 billion, according to Maureen Marr, an activist who has worked on behalf of Executive Life policyholders for the last decade.

Where did all the money go?

By 1990, Executive Life was in deep trouble. The company had purchased billions of dollars of junk bonds -- high-yield, high-risk investments -- from Milken. A recession, combined with bungling by US and California regulators, had hammered the bonds' values. With the company teetering on the edge of bankruptcy, John Garamendi, California's publicity-loving insurance commissioner, seized Executive Life and announced he would auction it to the highest bidder.

In the end, Garamendi sold Executive to an unusual partnership comprised of several French and Swiss investors and the massive French bank Credit Lyonnais. The bank, controlled by the French government, bought the bonds. Since it was illegal for the bank to control the company, the French investor group bought Executive's insurance operations. Black was billed as the French bidders' advisor.

The winners of the auction were the only bidders to propose splitting off the insurance company's \$6.1 billion bond portfolio. The bank and its partners paid a total of \$3.5 billion -- \$300 million for the insurance operations and \$3.2 billion for the bond portfolio. Considering that the bonds alone had a face value of \$6.1 billion, it was a sweet deal -- one that Milken, in a 1992 *Forbes* interview, called "the investment opportunity of the decade."

Garamendi, who had called the bonds "toxic waste" because of they were so depressed in value, preferred that approach, saying at the time that it would provide some funds to shore up the struggling insurance company. But the effect of that strategy was devastating for Sue Watson and other policyholders, who otherwise may never have lost their money.

Not only had the insurer been sold for less than its market value, the company's primary source of investment income -- its bond portfolio -- had been stripped off and taken by Altus. The more lucrative of the bonds gained from the Executive sale were placed in an investment fund managed and partially owned by Black and his colleagues.

In late 1993, with its investment income severely diluted, the company cut policyholders' payments. Executive had been gutted, and those its policies were meant to protect, like Katie Watson, were left to pick up the pieces.

"Blood money," Watson fumes. "That's what these people took."

THE DOCUMENTS

Download the lawsuits as PDF files. You will need [Adobe Acrobat](#) to view them.

[Attorney General's Complaint](#)
[Insurance Department Complaint](#)
[Tolling Agreement](#)

The complex deal in which Executive was purchased is now the focus of two lawsuits, one brought by the [California Attorney General's office](#) and one brought by the [California Department of Insurance](#) -- the same office under whose auspices the company was sold in 1990. The deal is also the target of legal action by the US Attorney, who has notified French officials that he means to seek indictments related to the case.

All of the legal action, however, focuses primarily on the actions of Credit Lyonnais and its subsidiary, Altus, in the takeover. The two existing California lawsuits argue that secret contracts between the French bank and two members of the French investor group indicate that these investors were acting as fronts for Credit Lyonnais and Altus.

Black, the financial wizard who guided Altus to the complicated takeover of Executive Life and its bond portfolio, is not named as a defendant in either case and has claimed to be "amazed" and "shocked" at allegations that Altus Finance broke the law. Now, Black and his colleagues have agreed to testify in the insurance department's multibillion dollar lawsuit against the French bank.

In exchange, insurance authorities are essentially giving Black and his associates a free pass -- [releasing them from liability](#) in relation to the Executive deal even if there is evidence that they broke a laundry list of state or federal regulations or racketeering laws. Based on the agreement, the insurance department can only sue Black or his colleagues if there is direct evidence that they knew about the bank's secret contracts before September 1998. Even then, the agreement requires the insurance department to follow a complex and onerous process before bringing any suit against Black.

Black declined to comment on the agreement or his involvement in the Executive deal.

Why are Black and his Apollo colleagues being let off the hook?

"Their cooperation is important," says San Francisco attorney Gary Fontana, a partner at Thelen, Reid & Priest, who is representing the insurance department in the matter. "It will expedite collection of the evidence that would take a lot longer and cost a lot more to get without their help."

Others, however, suggest the insurance department is simply taking the easy way out -- and protecting itself in the process. According to the French partners to the lawsuit, Garamendi was well aware that Credit Lyonnais, not the alleged fronts, intended to control the insurance company. As a result, they argue, the lawsuit being pursued against the French bank is itself a sham.

"It's a sign of weakness," says Jean-Francois Henin, former chief of Altus Finance, the subsidiary of Credit Lyonnais involved in the deal. "It means he does not have a strong case."

In fact, a careful reading of the agreement suggests that the insurance department is well aware it may be letting Black off the hook. The release was signed on Nov. 1. But the effective date of the document, which asserts that the commissioner "has no basis" to believe that Black or his colleagues violated any laws with respect to the Executive Life transaction, is June 1.

In an interview, Fontana said that the June 1 date was chosen to ensure that lawyers for the state would have enough time under the statute of limitations to name Black as a defendant if they choose to.

"It's a protection for us and the policyholders," he said.

However, sources suggest that the back-date is more likely meant to protect the insurance department itself in the event that evidence implicating Black was collected after June 1.

In fact, the release even appears to address that issue, noting that "the Commissioner is aware that he may hereafter discover potential claims or facts in addition to or different from those which he now knows or believes to exist." According to reports in the LA Business Journal last August, attorneys close to the investigation said the California Attorney General was close to naming Black as a defendant.

So far, the Attorney General's office hasn't named Black in its case. California Department of Justice spokeswoman Sandra Michioku declined to comment on whether they intend to do so.

The insurance department's agreement with Black also exempts Black and his colleagues from having to disclose documents and information provided earlier to the Federal Reserve or the US Department of Justice in the course of the federal criminal investigation of the deal -- including documents concerning the Apollo partnership.

Fontana says the evidence in question is a non-issue for California regulators.

"It is not important to us," he said. "If they were to disclose what they had said in testimony for the FBI or Federal Reserve or grand jury that arguably creates issues with them for the Feds, we don't care."

Fontana's lack of interest in Black's role in the deal, while underscoring how determined the insurance department is to secure the financier's cooperation, could be short-sighted.

Documents obtained by MotherJones.com show that Black was more than just an advisor to the French bank, he was at the very center of the deal as an equity partner of the bank both before and after the auction. Black reached an agreement with Altus Finance, a subsidiary of Credit Lyonnais, in June of 1990 to create two investment funds. One of those funds, for which Altus would provide 88 percent of the capital while Black and his associates would provide the remaining 12 percent, would become the home of the most lucrative bonds won in the Executive auction. Black and Altus partially disclosed their 1990 relationship to the Federal Reserve in September of that year, but failed to disclose the nature of their partnership to California insurance authorities.

This would be no small infraction. The California insurance code requires the disclosure of all financial arrangements in the acquisition or ownership of an insurance company, and failure to do so constitutes not only a breach of the insurance code but also a violation of the state's False Claims Act. While only the California Attorney General can sue a party for violating the act, insurance authorities could use evidence of such a violation to support other charges, such as fraud, conspiracy or racketeering -- all charges included in the insurance department's complaint. In addition to effectively allowing Black off the hook, the Insurance Department's legal team appears to also be arguing that Black should not be pursued by the Attorney General.

Fontana has indicated that, as far as he is concerned, the Attorney General should have no jurisdiction in this affair. On November 6, during arguments before the Ninth Circuit Court of Appeals on a separate class action suit brought on behalf of Executive Life policyholders, Fontana went so far as to say that the Attorney General was afraid to serve his complaint because he has no standing as a policyholder and that his case was going to be dismissed, according to Marr and others who attended the session.

This would represent a remarkable about-face for Fontana, who originally filed the whistleblower complaint in 1999 which led to the Attorney General's current case. At that time, he said the Attorney General had legal priority over the insurance commissioner's lawsuit.

Meanwhile, Sue Watson is left to care for her crippled daughter and wonder at the legal goings-on in California. It's been 20 years since Katie checked into a hospital a sick little girl and checked out needing 24-hour-a-day care. Watson says she has little doubt that her daughter will outlive her. The only priority now, she says, is to pursue every legal option to ensure that those responsible for the manner in which Executive was taken over and restructured are held accountable -- and that Katie's future income is protected.

"I will fight for my daughter to my death," she says.

http://www.motherjones.com/web_exclusives/features/news/tolling_agreement.pdf

See the Tolling Agreement Leon Black insisted upon and California Insurance Commissioner agreed to. It is out position that Blackstone always expects dispensation for their abuse. The RICO actions we are filing will not look the other way on any matter, or any party.

http://www.motherjones.com/web_exclusives/features/news/insurance_sidebar.html

Dissecting the Deal A look inside the deal that left thousands of Executive Life policyholders out in the cold.

by [Ellie Winninghoff](#) January 17, 2002

The complex deal that tied Leon Black and his associates to the takeover of Executive Life began in 1990, when Black's firm, Lion Advisors, entered into an agreement with Altus Finance, a subsidiary of Credit Lyonnais.

That June 29, 1990 agreement -- filed with the Federal Reserve -- set the ground rules for the development of two investment funds known as Apollo I and Apollo II. In interviews two years ago, Jean-Francois Henin, former chief of Altus Finance, described the terms of the partnership and how it worked -- a description supported by the documents themselves.

Among other things, the agreement stipulates that, after meeting expenses, the two parties would evenly split profits from the Apollo Funds I and II. Altus Finance agreed to contribute 88 percent of the capital for the funds, while Black, his associates and other private investors were to contribute the remainder. Thus, not only was Black in a position to control the funds, he would also own an important share of them.

At the time, however, the funds were empty shells. The partners went looking to fill those shells with large concentrations of junk bonds issued by single companies. Specifically, Altus and Black were looking for bonds on which the companies were close to defaulting. The chief value of such junk bonds is that they can be converted to equity in the company which issued them. If any single person or group control enough bonds of this sort -- or can combine them with stock -- they can effectively gain control of the company.

Anticipating doing just that, the 1990 agreement also stipulated that, after meeting expenses, Altus and Black's group would equally split not only the proceeds derived from management of the bonds in the two funds but also the profits from any restructured companies that emerged.

Altus and Black chose to go after the portfolio held by Executive Life. It was widely known in the financial community that the value of the portfolio would soar once the bond market stabilized. Executive Life owned large concentrations of bonds from valuable companies; among them Vail Ski Resorts, Samsonite, and Culligan Water Technologies.

THE DOCUMENTS

Download the lawsuits as PDF files. You will need [Adobe Acrobat](#) to view them.

[Attorney General's Complaint](#)

[Insurance Department Complaint](#)

[Tolling Agreement](#)

In November of 1991, Altus won Garamendi's auction with a bid of \$3.5 billion -- \$300 million for the insurance operations of Executive Life and \$3.2 billion for the bond portfolio. It was, as junk bond king Michael Milken noted at the time, a sweet deal. The bonds alone had a face value of \$6.1 billion. Within a few years, profits on the most lucrative bonds were compounded at 50

percent annually before management fees and carried interest, adding up to a net to investors of about 40 percent, according to a sales memo issued by Black's firm, Apollo Advisors.

Federal law at the time prohibited banks from owning insurance companies and California law prohibited control of insurance companies based in the state by foreign governments. Credit Lyonnais was owned by the French government. To ensure that their bid would comply with the law, Altus arranged for a group of private French and Swiss investors to purchase the insurance operation, which was renamed Aurora National Life Assurance Co. Altus Finance purchased the junk bond portfolio.

Publicly, Black had been listed as Altus's financial advisor during the auction. Two days after Altus paid for and took possession of the junk bond portfolio, however, about 20 percent of the bond portfolio -- representing the most potentially lucrative bonds, valued at \$537 million -- were transferred to Apollo II, the fund which Black and his colleagues partly owned and exclusively managed. According to a sales memo for a third fund set up by Black's group, Black and his colleagues had invested \$55 million in Apollo I and II.

Although the bonds had increased in value by 25 percent in those 4 short months -- and despite the fact that Executive's policyholders had sued to recoup that gain -- the bonds were transferred to Apollo II at the severely reduced cost Altus had paid at auction.

Then, a week before the bonds were actually transferred, on February 25, 1992, the parties expanded on their original agreement. The February letter between Altus and Black's group, obtained by Motherjones.com, states that "from time to time we may identify investment opportunities...beyond the scope of those contemplated by the original agreement."

In an interview, Henin said the basis of the letter was the purchase of Executive Life's insurance operations, although the agreement also covered other investments in Europe. Of course, Altus was not supposed to control Executive Life at the time, something Black was fully aware of. Henin also said that the investment opportunities referred to in the letter were tantamount to 15 percent of the insurance company's dividends. In the end, the rights to that 15 percent was given to one of Black's partners, with whom Black had split.

Finally, in September 1993, ownership of Executive Life, in receivership since the Insurance Department claimed control of it, was transferred to the French investor group recruited by Henin and Altus as well as Sun America, a Los Angeles insurer pulled into the deal by Garamendi at the last minute.

On its face, there was nothing legally wrong with the deal. But, according to separate complaints filed by the [California Department of Insurance](#) and [California Attorney General](#), documents disclosed by a French whistleblower indicate that part of the transaction were a "sham." The complaints argue that secret contracts between Credit Lyonnais and two members of the French investor group indicate that the investors were acting as fronts for the French bank. The idea, the complaints allege, was that the private investors would buy Aurora with the understanding that they would later sell it back to the bank or the bank's designees at a predetermined price.

The California authorities' allegations are supported by the sudden involvement in the deal of Francois Pinault, the principal in a French holding company called Artemis. At the time, Pinault's principal banker, Credit Lyonnais, owned about 25 percent of Artemis. In December, 1992, a year after Garamendi's auction, Artemis bought \$2 billion of the junk bonds then held by the French bank. As a part of the transaction, Pinault purchased an option to buy Aurora from Credit Lyonnais.

How could Credit Lyonnais proffer that option? Good question. The French investors, not the bank, were supposed to own Aurora. California's insurance commissioner and attorney general have included Pinault in their lawsuits against the French bank, alleging fraud and conspiracy in the takeover of Executive Life.

The allegation that the French bank hid the manner in which they were to gain control of Aurora--called portage agreements--forms the basis of both the insurance department's and California Attorney General's lawsuits against Credit Lyonnais.